S. HRG. 98-158

DOMESTIC COMMODITY DISTRIBUTION AND FOOD ASSISTANCE ACT

HEARING

BEFORE THE

SUBCOMMITTEE ON NUTRITION

OF THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

FIRST SESSION

ON

S. 17

A BILL TO EXPAND AND IMPROVE THE DOMESTIC COMMODITY DISTRIBUTION PROGRAM

FEBRUARY 15, 1983

Printed for the use of the
Committee on Agriculture, Nutrition, and Forestry

U.S. GOVERNMENT PRINTING OFFICE

21-227 O WASHINGTON : 1983

S161-14

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DOMESTIC COMMODITY DISTRIBUTION AND FOOD ASSISTANCE ACT

TUESDAY, FEBRUARY 15, 1983

U.S. SENATE,
SUBCOMMITTEE ON NUTRITION,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:40 a.m., in room 330, Russell Senate Office Building, Hon. Robert Dole (chairman of the subcommittee) presiding.

Present: Senators Dole, Hawkins, Pryor, and Melcher.

STATEMENT OF HON. BOB DOLE, A U.S. SENATOR FROM KANSAS

Senator DOLE. Good morning. We'll begin the hearing on S. 17, the Domestic Commodity Distribution and Food Assistance Act.

Today, we have a number of witnesses. However, we regret that a number of witnesses canceled because of weather, due to the difficulty of getting to Washington. But I do want to welcome all those who are here this morning. We have a number of cosponsors, and they will be listed in the record.

Our first witness will be the distinguished Senator from California, Senator Wilson, who is also a cosponsor of S. 17.

I would ask that my statement be made a part of the record. I do believe that this is an important piece of legislation. I understand there may be some negotiations going on now between the President and certain House Members, which may at least include a portion of what we propose to do here. I also talked with Secretary Block yesterday afternoon, and they are in the process of preparing testimony. There will be a letter from the Department which I will submit for the record, which more or less outlines their activities regarding distribution of commodities. I will also insert a statement by Senator Huddleston.[1]

I want to thank Secretary Block and other members of the USDA for their assistance in putting this legislation together. We would hope that they will be looking at the statements and testimony that we will receive. We should move this legislation quickly, so that it can do some good in local communities. I would hope we might have a subcommittee markup, if we have enough members present to vote it out to the full committee, and then have a markup in the full committee very quickly. Hopefully, we could

[1] See p. 53 for the prepared statement of Senator Dole and p. 54 for the prepared statement of Senator Huddleston.

send it to the Senate floor for action next week. On that basis, I would be pleased to hear from Senator Wilson.

[The letter from the Department of Agriculture is as follows:]

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., February 15, 1983.

Hon. ROBERT J. DOLE,
U.S. Senate,
Washington, D.C.

DEAR BOB: The purpose of this letter is to inform you of some of our current activities regarding distribution of USDA commodities to the needy.

For over a year, States have been successfully distributing process American cheese to needy families through food banks, charitable institutions and local government agencies. Since the summer of 1982, a similar distribution effort for butter has been operating successfully. From an initial allocation of 30 million pounds of cheese, the effort has been consistently expanded. Currently, a total of 500 million pounds of cheese and 125 million pounds of butter have been made available for distribution through calendar year 1983. Through the efforts of the Food and Nutrition Service, States and local groups, significant momentum has been generated to distribute large quantities of cheese and butter. In addition, distribution of nonfat dry milk has been pilot tested in three States (Washington, Minnesota and Florida), and in Wayne County, Michigan. Data concerning displacement of fluid and powdered milk sales in these areas will be available over the next few weeks. A decision will then be made on distributing nonfat dry milk to needy individuals nationwide.

To date, States have ordered 344 million pounds of process cheese and 108 million pounds of butter. This represents an average of 12.3 pounds of cheese and 3.7 pounds of butter for each person below the poverty level. What makes these figures most impressive is that the local delivery of the cheese and butter to needy recipients has been accomplished utilizing State and local assets and volunteers. USDA has paid for the processing, packaging, and initial storing of these products, as well as transporting them to designated State locations. State governments and community organizations, however, have funded all of the local delivery costs. Groups ranging from the Salvation Army to the National Guard have contributed volunteers, equipment, and facilities to help distribute the products to the needy. Moreover, 45 States have provided full or partial funding of intrastate delivery costs. These efforts demonstrate that voluntarism in the public interest is a tremendous resource which we as a Nation must continue to develop.

In addition to the special cheese and butter distribution program to needy individuals, the Department continues to donate a broad range of surplus commodities, including dairy products, to charitable institutions. These institutions include soup kitchens, hospitals, nursing homes, rehabilitation centers and some correctional facilities. We are also preparing legislation to extend our Section 416 (price-support) donations to include post-secondary schools, VA hospitals and penal institutions.

In summary, we see the special dairy distributions to be a tremendously successful partnership of Federal, State and local efforts that has greatly aided the elderly and needy citizens of this country. Based on feedback received to date, the program is highly popular with the recipients and well supported through State and local efforts. We are currently reviewing your recently introduced Domestic Commodity Distribution Act (S. 17). As soon as that review is completed, we will present specific comments and recommendations for your consideration. If you have additional questions at this time please do not hesitate to contact us.

Sincerely,

JACK.

STATEMENT OF HON. PETE WILSON, A U.S. SENATOR FROM CALIFORNIA

Senator WILSON. Thank you very much, Mr. Chairman. I appreciate your accommodating me for a brief statement of support, which I am very pleased to offer.

You've got a list of distinguished witnesses, and I will not take much time from their testimony. I only wanted to indicate my support for this measure.

I think that you are to be commended. It seems to me that you have addressed a number of problems simultaneously: The cost of the storage, the costs, really, in both moral and financial terms of the danger of spoilage of surpluses that could well be spent or expended in answering the requirement for nutrition on the part of the Nation's needy, that is a requirement aggravated at the current time by the higher than normal unemployment occasioned by a very deep and tough recession.

I think that the recipients, the eligible recipient agencies as defined in section 3, include a number of those who are deservedly going to be recipients of this food, people who undeservedly find themselves in need.

In my prior incarnation as a mayor, we were particularly proud of the fact that we had spent some general revenue sharing funds in order to assist in supplementing the nutritional needs of senior citizens of San Diego. I note that included among the eligible recipient agencies are Veterans' Administration hospitals, child care institutions, needy families, the needy family program on Indian reservations, public and other nonprofit school food authorities, and also, significantly, the elderly nutrition programs of varying kinds across the country.

So I think that you are to be commended in this. I also cannot help but note on behalf of the farmers of our State and other States that in the long term I think that this promises to assist them by helping to dispose of a surplus that otherwise would very likely go to waste and continue to waste money for Federal taxpayers.

The particular point of interest, I suspect, are those who will be involved in the administration of the distribution of these surplus foods, is the key point contained in the legislation which provides administrative moneys to assist the States in the distribution of these commodities. I think that will answer the concerns expressed by a number who share the desire to see the surplus foods distributed to those who need them; and it would address, I think, some of the problems incurred during the Department of Agriculture's efforts to give to needy people in the United States surplus stocks of cheese.

So, while I am not a member of your subcommittee, Mr. Chairman, I am delighted to request that I be added to the cosponsors, and will give this legislation much support.

Again, I appreciate the opportunity to comment. If you will excuse me, I will go to other commitments; but I do think that you have a very good piece of legislation. I will be delighted to assist you.

Senator DOLE. Thank you very much, Senator Wilson.

In fact, I noticed in today's New York Times, it says "the proposed food giveaway is the biggest ever." We're trying to get information about a Los Angeles program, where I think a half-million households were to participate. This is an indication of the great need out there. We intend to call your office for some additional information on this particular project, to make certain that our bill responds to the needs in that area.

This is not complicated legislation, but it would, as we understand it, if passed and implemented, provide about 1 billion dollars'

worth of agricultural surpluses for distribution; 90 percent of this would be dairy products. This bill attempts to create a more orderly distribution program, which we believe has some merit.

We greatly appreciate your cosponsorship.

Senator WILSON. Thank you, Mr. Chairman.

Senator DOLE. Thank you.

Our first witnesses are a panel: Susan Fridy, National Milk Producers Federation; Margie Williams, National Association of Wheat Growers; and Jim Miller, the National Grange.

STATEMENT OF SUSAN FRIDY, NATIONAL MILK PRODUCERS FEDERATION

Ms. FRIDY. Mr. Chairman and members of the committee, I do not have prepared remarks here this morning. My remarks will be more casual in nature. But I am here on behalf of the National Milk Producers Federation to testify on your bill, S. 17, to expand the commodity distribution program.

There are three areas that we feel are very important that we feel your legislation does: first of all, it expands the recipients, the recipient agencies. It makes it easier for those who are in need of these surplus commodities to receive them.

The second area is that we feel very strongly about, is that it expands those commodities which will be designated as bonus. As you know, dairy has been enjoying bonus status for some time now. And, Senator Melcher, your amendment to the farm bill last year was essential to this release of commodities.

But we're disappointed because the authority has not been used to declare more commodities as bonus. We're currently suffering a tremendous agricultural recession, depression. We have surplus commodities. Producers are receiving incredibly low prices. We have a recession in the country. People are hungry. And yet the authority that exists is not being used to designate these commodities as bonus and get them out to the people who so clearly need them.

The third area that we feel is absolutely essential is getting some State money, State and local money, to help with the distribution and storage of these products at the local level.

As you know, the Federal Government does pay shipment to the first point of deposit in a State—then the States are on their own. I've been looking at the needy family cheese giveaway now for the last year, it appears that volunteer agencies are wearing out. They've done a tremendous job in serving the needy across the country. But there's no money at the State level to assist their work.

A number of our members, dairy farmer members, helped by trucking commodities around States. They've lent storage facilities. They've done a great deal.

But all these resources are being pressed to the point where they're becoming unavailable. It's the money at the local level that's the most useful to get these commodities to the people who need them.

I would be happy later on to answer any questions.

Senator DOLE. Fine. What we might do is hear from each member of the panel and then maybe there'll be questions from the committee.

STATEMENT OF MARGIE WILLIAMS, DIRECTOR, GOVERNMENT AFFAIRS, NATIONAL ASSOCIATION OF WHEAT GROWERS

Ms. WILLIAMS. Mr. Chairman and members of the committee, the National Association of Wheat Growers appreciates this opportunity to present its views to you on your bill, S. 17, the Domestic Commodity Distribution and Food Assistance Act. I am Margie Williams, director of government affairs for the National Association of Wheat Growers.

Mr. Chairman, U.S. grain farmers are being smothered by excess stocks, and large global supplies, coupled with the strength of the U.S. dollar during a worldwide recession and the financial problems of major import nations, have prevented the growth in demand necessary for market recovery. As a result, wheat prices and farm income remain depressed, and the cost of Government price and income support programs has soared to record levels. This has led to the imposition of the payment-in-kind diversion program, in addition to a reduced acreage and diversion for cash program put into place last summer.

Strengthened child nutrition and other feeding programs are a logical complement to these supply management programs, and S. 17 not only makes surplus commodities available for these feeding programs, but also provides funding for processing, packaging, and storing of commodities where necessary to make the commodity useable by schools and other public institutions charged with large-scale feeding programs. This comprehensive approach will undoubtedly have the effect of expanding consumption within this distribution network.

Under the terms of S. 17, wheat would be declared a bonus commodity for distribution within the school lunch system. The NAWG had requested the Department of Agriculture to declare wheat as a bonus commodity early last spring, as serious stock buildups were becoming more apparent in spite of programs to curb 1982 production.

However, the USDA has not taken this action, and it is apparent that congressional intervention is necessary to create additional outlets for excess wheat supplies, and to also improve the nutritional intake of the Nation's schoolchildren and others.

It is evident that the Commodity Credit Corporation will utilize all uncommitted wheat stocks in the domestic PIK program, and the recent Egyptian flour sale, so that the authority provided in S. 17 for use of up to 2 million metric tons of wheat contained in the food security reserve for increased domestic distribution is clearly necessary.

This reserve contains 147 million bushels of wheat which were set aside following the 1980 Soviet grain embargo to insure that the United States could meet future Public Law 480 and emergency relief requirements. Recognizing that wheat supplies will be more than adequate to cover these needs, we believe that this wheat could now be used for improving the nutritional intake of

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the Nation's schoolchildren and others, and later replenished as provided in the bill.

The NAWG firmly believes that early enactment of this legislation can contribute significantly to correcting the price-damaging effects of surplus stocks. By its own calculations, USDA does not anticipate significant price improvement from the 1983 crop reduced acreage and PIK programs, but rather, expects to operate additional production cutback programs for the 1984 crop to set the stage for long-term price improvement. The immediate contribution of expanded domestic distribution of wheat and other commodities to strengthened farm prices is therefore all the more important in this context.

Mr. Chairman, I appreciate this opportunity to appear before you today, and I will be pleased to respond to your questions at the appropriate time. Thank you.

Senator DOLE. Fine. I do have a question after we hear from the next witness.

WRITTEN QUESTIONS FROM SENATOR HELMS TO THE NATIONAL ASSOCIATION OF WHEAT GROWERS AND THEIR ANSWERS THERETO

Question 1. Under current programs, government-owned wheat will be used for the payment-in-kind (PIK) program to farmers and for a wheat flour sale to Egypt. Do you believe that government-owned wheat stocks are adequate for a domestic distribution program as well?

Answer. 1. Anticipating that government-owned wheat will be depleted, or nearly depleted, with the operation of the domestic PIK program and the wheat flour sale to Egypt, the National Association of Wheat Growers recommends that the Food Security Reserve be accessed for domestic distribution programs authorized in S. 17. In addition, USDA will in all liklihood acquire new stocks this year as a result of regular loan forfeitures, and we would encourage use of these stocks for domestic distribution, or for export initiatives similar to the Egyptian agreement.

Question 2. Various farm organizations have supported varying bills designed to provide export promotion of wheat (and other commodities) in hopes of making inroads and long-term improvements in international markets. Your organization, for instance, testified on February 17 in favor of using wheat from the Food Security Wheat Reserve for the export market development. Your organization had earlier testified on February 15 in favor of S. 17, which provides that up to 2 million metric tons from this reserve would be made available for domestic commodity distribution. What is your preference for how this Food Security Wheat Reserve should be used—for PIK, for export market development, or for domestic commodity distribution?

Answer. 2. The NAWG anticipates that even with the successful implementation of the PIK and other production cut back programs this year, sufficient stock reduction to bring wheat carryover into an acceptable range will not occur. More than enough wheat will be on hand in the farmer-owned-reserve to meet any international emergency, and for this reason the NAWG believes that Food Security Stocks should be used to leverage export sales, and to increase domestic distribution programs. If the Secretary operates a domestic PIK program for the 1984 wheat crop, the NAWG recommends that the farmer's own reserve or loan stocks be used as payment under procedures similar to the 1983 program.

Question 3. Government-owned stocks tend to have a psychological effect of depressing market prices, even when they are supposed to be isolated from the market. With this in mind, is full, mandatory replenishment of the Food Security Reserve in the best interest of wheat farmers?

Answer 3. Normal carryover for U.S. wheat is about equivalent to one year's domestic consumption, yet current supplies are at twice that level. Given the current, as well as prospective supply situation, the NAWG believes there will always be adequate grain to meet emergency needs at home and abroad.

Question 4. Does your organization have any concern that the domestic distribution of surplus wheat (in the form of flour) may displace some commercial sales?

Answer 4. The commodity distribution programs stengthened by S. 17 would serve markets which would not in general, exist outside these programs. Therefore, there is little likelihood that commercial sales will be displaced.

Question 5. Do you have any concern that processors who choose to receive their payment for processing through "in kind" payments—under section 2(b)—may reduce their demand for wheat?

Answer 5. Even if in-kind payments to processors temporarily reduce commercial demand for wheat, these payments will contribute to overall stock reduction, thereby strengthening process for farmers. Such price improvement would be a positive development for farmers.

Question 6. You indicated in your testimony that your organization had already requested that USDA make wheat available as a bonus commodity under the current commodity distribution program. Is it correct, therefore, that you believe schools would use more wheat even without increased Federal funding for storage, transportation, and distribution?

Answer 6. While it is true that many schools have requested bonus wheat under current regulations, it is obvious that many more would be able to utilize the program if storage, transportation, and distribution costs were absorbed by the government.

Senator DOLE. Mr. Miller, you are next.

STATEMENT OF JAMES MILLER, ASSISTANT LEGISLATIVE DIRECTOR, NATIONAL GRANGE

Mr. MILLER. Thank you, Mr. Chairman. I appreciate the opportunity to testify on this bill before us today, S. 17.[1] I also appreciate the fact that I was placed on such an esteemed panel.

The National Grange has consistently over the years supported commodity distribution programs. I appreciate the opportunity today to testify in support of S. 17.

I'd like to second the remarks made by the previous two panelists on the fact that USDA can do more, and it appears as though legislation is going to be necessary to see to it that it's done.

I think I will keep my remarks very brief, but I really want to say one thing: We consider the commodity distribution program to be an integral part of an overall food and agricultural policy of the country. We think it can occupy a very important role in not only feeding our hungry, and the needy of this country; but also utilizing the reserves that we know we are going to have from year to year. Reserves and scarcity are a fact of life in agricultural production. If we take the course that we will garner reserves to cover any eventual shortages, we think it's only appropriate so that the poor and needy can share in this.

Mr. Chairman, we think this is a balanced, very straightforward approach to commodities distribution. We recognize that there are some associated costs with it; but we think that is a cost that not only this country can bear but, indeed, must bear.

I would appreciate the opportunity to answer any questions.

Senator DOLE. Thank you very much.

Let me indicate that I have and I will place in the record a letter from Secretary Block[1] in which he indicates the success of the present distribution program; and he indicates that to date the States have ordered 244 million pounds of processed cheese, and 180 million pounds of butter, which represents an average of 12.3 pounds of cheese and 3.7 pounds of butter for each person below the poverty level; and also indicating that for the most part the fact that there have been efforts by volunteers and State and local efforts to distribute, package, and process some of—most of this. He

[1] See p. 61 for the prepared statement of Mr. Miller; see p. 2 for the letter from Secretary Block.

also suggests that 45 States provide in-full or partial funding of intrastate delivery costs.

Certainly we don't want to in any way undermine the voluntary effort—I think that has to be the key; we're not trying to set up some Federal delivery service and processing service. To me, I think that would not be appropriate. But we do believe that some funds are necessary to move beyond that first point that you mentioned in your testimony.

So, it may not be perfect legislation. I'm certain as we go through it, and as other Members have a chance to analyze it, we may be able to, you know, expand on it; and also improve it.

I just have a couple of questions and then I will yield to Senator Melcher.

Ms. Fridy, do you know the USDA estimates the current legislation would reduce current stocks of Government-owned cheese by 20 percent in the first year; butter by 17 percent; and nonfat dry milk by about 2½ percent; does the Milk Producers Federation feel that these quantities will result in any significant displacement of normal commercial sales?

I guess that's a concern that everybody should have. We're not trying to compete with the commercial markets, either, commercial outlets.

Ms. Fridy. I'm glad you brought that point up, because possible market displacement is, of course, of primary concern to us.

Nobody is ahead if we displace commercial sales. It simply would mean the Government would end up buying that product, storing it, and then distributing it again.

We've been watching the distribution programs very carefully, and we have no indications that the distribution has at all displaced sales.

There's currently a study being done in three States with nonfat dry milk. We're expecting completion of that in the coming month. But I understand from preliminary data that even the nonfat dry milk distribution has not affected milk sales.

In fact, some of my members have said to me personally, that in the case of cheese they felt like there had been an increase in sales, perhaps from all the headlines indicating that cheese was available.

We're very pleased with the program. Of course, we would hope the Department would continue to distribute in such a way that commercial sales would not be disturbed.

Senator Dole. Right. I think what's going to child care programs, summer camps, and disaster programs, isn't going to interfere with any commercial sales.

Ms. Fridy. We've been looking at arrangements for State colleges and VA hospitals and so forth to receive bonus commodities. I understand that the Department is working on an agreement where donations could be received by those institutions, if they have not altered their normal purchasing patterns. In that case we could increase consumption. We think that would be a plus.

Senator Dole. This is a question for each of the witesses: Do you have any recommendation for additional ways to expand domestic consumption of, in your case, Government-owned dairy products?

We have a lot of surpluses. Is there any way we might do that without displacing commercial sales?

Ms. FRIDY. Well, I believe your bill will expand consumption significantly. As for ideas beyond the scope of your bill, at this time I really don't have any to suggest.

I think your bill is comprehensive. Perhaps you could look at some pilot projects to consider expanding beyond the provisions of your bill.

Mr. MILLER. Mr. Chairman, we'll take every effort we can to get the bill out to some of our members and certainly ask them if they have any suggestions.

Senator DOLE. We really haven't given you a great deal of time; but it does seem to me, if we're going to act on this legislation, we should do it very early before the legislative channels become clogged with so-called must legislation. We still have time to make corrections and changes.

And I would also guess—although I'm not certain of what's happening on the House side—that they're going to move very quickly. So we should expedite the normal process.

Ms. WILLIAMS. Senator, we certainly agree with you that there is a need for the bill. I think you have covered the concerns that we have in the bill, with regard to wheat which is certainly in a surplus situation.

As I mentioned in my testimony we asked the Department to take a look at declaring wheat as a bonus commodity, and this is an important aspect of the bill in our opinion.

Senator DOLE. Senator Melcher, do you have a question?

Senator MELCHER. I'm wondering what the necessity is, for instance, in dry powdered milk, of requiring Federal outlays for the distribution of it? That doesn't seem to be the problem.

Ms. FRIDY. I'm afraid I don't understand the question.

Senator MELCHER. Well, the last time I asked our State people if they were getting dry powdered milk, they told me no. The last time I asked the Department why they weren't distributing it, they said, "well, we will, after we have the pilot programs completed," which seems to take forever.

But what is the reason to think that the cost item of distributing the cheese or the butter or the dried powdered milk is a stumbling block?

Ms. FRIDY. Well, to address the first part of your question, I asked the Department myself why they were conducting the study, because it was nothing the National Milk Producers had requested. We were very interested, as you know, in our support of your measure last year of moving these commodities out to the needy.

The Department indicated to me that there were other segments of the industry that were concerned about displacement.

As far as getting intrastate money to help with the distribution of the product, I think it's true that there are some States where the leadership, the Governor's office, other leaders within the State, have made a personal commitment to making these voluntary distribution projects work. They have scraped up State moneys here and there to distribute cases of nonfat dry milk and butter; and have been successful.

Unfortunately, I can really only count on one hand the number of States that I'm aware of that have made this kind of commitment. In most States it's a catch-can operation.

And, as I said, I think the voluntary organizations are to the point of exhaustion. They've just spread themselves so thin at this point that I'm afraid they are not going to be able to continue the distribution without Federal aid at the State and local level.

Senator MELCHER. Well, in short, isn't it a refusal of the Department to distribute this dried powdered milk, that is the stumbling block?

Ms. FRIDY. That's definitely a stumbling block; yes.

Senator MELCHER. The stumbling block. It doesn't do the State any good to apply for it if they're not going to distribute it.

Ms. FRIDY. That's right.

Senator MELCHER. I notice in your remarks, Bob, that you say that you think it would cost about $52 million for State distribution. Is that figure based on some study or some Department analysis?

Senator DOLE. I don't think it's a Department analysis. I think it's based on the best available information we could gather ourselves. We'll have an expert witness on the next panel, Mr. Matz, who could figure up those millions pretty fast.

Senator MELCHER. There's a question on wheat, Margie. How much wheat do you think could be distributed?

Ms. WILLIAMS. Under S. 17?

Senator MELCHER. Yes.

Ms. WILLIAMS. CCC currently owns about 30 million bushels of wheat in its inventory. We figure that that will be used for distribution under the domestic PIK program and the recently announced Egyptian flour sales agreement.

However, we've increased our current wheat carryover by about 50 percent over the last two seasons; so there's plenty of wheat held by farmers themselves that could be used for distribution under the terms of S. 17.

Senator MELCHER. Well, do you think 2 million metric tons is about right?

Ms. WILLIAMS. Well, of course, the bill opens the way for use of approximately that amount.

Senator MELCHER. Do you think there's any restraint on the Secretary from doing it right now?

Ms. WILLIAMS. With the current stocks, now——

Senator MELCHER. Do you think there's any restraint on the Secretary from distributing 2 million, 4 million, 5 million, or 10 million metric tons to people that are hungry, under current law?

Ms. WILLIAMS. Well, under current law, my understanding is that commodities can be purchased as necessary under the bonus system.

Senator MELCHER. But do you think there's any restriction by law on the Secretary from distributing up to 10 or 15 million metric tons to people that are hungry?

Ms. WILLIAMS. I don't believe so.

Senator MELCHER. Do you think it would be any more cost than to provide whatever it was to the millers for the Egyptian wheat sale?

Ms. WILLIAMS. I don't know.

Senator MELCHER. How much did that cost?

Ms. WILLIAMS. Well, it's about 30 million bushels of wheat, and I guess you can figure market value.

Senator MELCHER. 30 million metric tons or 30 million bushels?

Ms. WILLIAMS. 30 million metric tons, or, I'm sorry.

Senator MELCHER. 30 million bushels; about $100 million?

Ms. WILLIAMS. Yes.

Senator MELCHER. $100 million; plus the Secretary pays the cost of delivery, transportation costs?

Do you think it's legal? Do you think that deal was legal?

I think there's precious little law to back that up, compared to the law that we've got currently for the Secretary to distribute surplus commodities to people who are hungry, to the States, or to charitable organizations. As far as the Wheat Growers are concerned, do you think it was a legal deal: picking out a miller and saying, well, now, we're going to get some free wheat if you'll sell some to the Egyptians at a competitive price?

Ms. WILLIAMS. Certainly there are means for commodity distribution domestically; and I agree with you wholeheartedly that the Department should be looking at domestic distribution as well as export distribution.

Senator MELCHER. Well, just to make this all even, Mr. Miller, do you think the National Grange will somehow zero in on this and in their national policy just say to the Secretary, he really isn't doing very much about feeding the hungry in this country?

Mr. MILLER. I'll certainly bring it up.

Senator MELCHER. I wonder when we're going to get some real strong action out of the Grange on this?

Mr. MILLER. I agree with you, Senator. I think it's important that producers be aware of the happenings that are out there that might be utilized to consume some of the surplus.

Senator MELCHER. You know, I think the producers are well aware of it. And so are the Salvation Army, the food banks, the churches, the State distribution systems, school lunch system, the senior citizens nutrition program; they're all aware of it.

I just wonder when we're going to get some real, concrete solid, resolutions by the national organization that says, "Mr. Secretary, instead of clapping for what you're telling us in this speech, we're going to remind you that you're not doing much on feeding the hungry, here in this country."

Mr. MILLER. It certainly has been a high priority of our organization to utilize every means that are available. It will be brought to the Secretary's attention. I think it has today.

Senator MELCHER. I hope so.

Thank you all very much.

Senator DOLE. Senator Hawkins, do you have any questions?

Senator HAWKINS. Mr. Chairman, you are to be commended for introducing this legislation and holding these hearings at a time when many Americans are going hungry.[1] The question is brought up all the time: why are we storing more and more food when Americans are hungry.

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[1]See p. 55 for the prepared statement of Senator Hawkins.

The U.S. Government currently owns and stores 1.2 billion tons of dry milk; would this legislation allow this surplus to be distributed to needy individuals and institutions with the Federal Government paying an additional fee?

Ms. FRIDY. It is my understanding that it would.

Senator HAWKINS. Do you know how much that is?

Senator DOLE. How much it would cost?

Senator HAWKINS. What additional costs are involved?

Senator DOLE. The total amount is $52 million. That's based on 5 percent of total value of the commodities.

Ms. FRIDY. I think that any aid that you give to the States to help move this product would be useful. I would add two cautions, however:

That you don't put a ceiling on the amount of money to distribute. I am afraid with that we will find ourselves out of money after 6 months, and unable to distribute wheat free of charge for the balance.

So I think some sort of flexibility has to be developed, and that if 5 percent of the cost of goods is not enough to distribute within the States, that there be that flexibility that the States can make up the difference in some way.

But I think that should be more than enough. Nonfat dry milk is very easy to move; it does not require refrigeration; need not require special handling.

Senator HAWKINS. How much do you feel we will be able to move from storage to needy recipients under this plan?

Ms. FRIDY. I really do not have any estimate at this point. I think at the time that the Department would release this information on the study they are doing in your State, Senator; it's one of the States that's being studied for the movement of nonfat dry milk; I think we would have a far finer estimate of how much we may be able to move.

Senator HAWKINS. Do you believe the school lunch program would have any savings due to this distribution?

Ms. FRIDY. It is my understanding that the school lunch program has benefitted greatly by the declaration of dairy products as bonus within the last 2 years.

This bill would assist them even further; it would help the schools to receive more product. Also, a very important part of the bill is the concept of processing contracts. There are about 10 States where schools do not have access to processing contracts, which is a crime.

For many schools there is difficulty in receiving a 50-pound bag of nonfat dried milk, and then trying to utilize it in some useful way. However, if we have national processing contracts, all schools will have access to this service. And I think that would move a great deal more of the nonfat dried milk.

Senator HAWKINS. Not to sound too parochial, but would this program cover such things as surplus grapefruit?

Ms. FRIDAY. It certainly could, Senator. Section 32 funds—I am certainly no expert in the area of fruit and vegetable purchases; but I have been studying commodity distribution programs for over 10 years now, and am familiar with it.

Senator HAWKINS. Yes.

Ms. FRIDY. I believe it would be available for purchase. And it's my understanding——

Senator HAWKINS. Beautiful! We'd like it to be purchased.

Ms. FRIDY. But USDA had held about $300 million in section 32 funds, which they designated as emergency funds. Well, if American agriculture isn't in an emergency right now, I mean—we're going to wait 'til crisis time to declare the emergency.

These funds, I feel, should be used for sorely depressed agricultural producers.

Senator HAWKINS. What's the life of the bill?

Mr. MILLER. It's my understanding the life of the bill is as long as there are surplus commodities.

Staff MEMBER. Yes.

Senator DOLE. We've got a lot of surplus, and I want to make this inventory available for distribution.

Ms. FRIDY. This is an advantage of this bill over what I understand are the emergency actions the House leadership are looking at right now. They're looking at a 1-year very temporary situation, which, if we realize how there's a certain lag time in getting any program like this moving, we'll have to move fast.

One point I think really needs to be made, and I think representatives of other commodities groups will agree, we have no interest in this kind of program interferring with the food stamp program, whatsoever.

I think there's a great fear across the country by advocates, by the media, by citizens that there might be some move to allow the commodity distribution program to supplant food stamp programs. We certainly have no interest in that happening. We fully support the food stamp program.

But we feel at this time of great recession, and such bountiful agricultural production, that the transfer of the commodity distribution can certainly contribute to everyone's advantage.

Senator DOLE. Well, I would make that point, too. We have no intention of trying to replace, current food program efforts. You hear people saying: "The food stamp program increased so many hundred percent," but they fail to realize there were about 9 million people in the food stamp program when it first started as a commodity program.

Well, Senator Pryor, do you have questions of this panel?

Senator PRYOR. No, Mr. Chairman, I do not.

I do commend you for this hearing and also your legislation. I would like for you, if you would, to include me as a cosponsor of this legislation.

I also think I'm going to be the ranking member of this subcommittee; so I look forward to working with you.

I had the opportunity, Mr. Chairman, last Thursday to have lunch in a soup kitchen in Little Rock, Ark., in the First Presbyterian Church. They feed around 200 each day.

I can assure you that any assistance we could be at this time—we are in a crisis—and any assistance is going to be appreciated.

I go back, I guess, Mr. Chairman, to the lame duck session, where we did attempt a $50 million appropriation for the United Way charities and agencies; and say that in addition to your legislation I hope we can also proceed along that line. I hope we will

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not let that proposal die on the vine. I know we probably do not have an opportunity for many hearings but I hope we'll look at that approach, because I think it would be very beneficial; and I think we would have very little bureaucracy in that.

I would also like to put my statement in the record.[1]

Senator DOLE. Yes, it well be included.

Well, this may not be a perfect piece of legislation; we are trying to find ways to expand it.

I certainly don't disagree with Senator Melcher, the authority is there now, and we ought to use whatever authority the Secretary has. But obviously, we have a need that's been there for some time.

So I would hope that what we are doing, Senator Melcher, is trying to supplement that authority with further requirements and guidelines.

I also understand the 5 percent, or $52 million, is a minimum figure; so there is that flexibility you suggest we should have.

Senator MELCHER. Well, let me just add a note of caution. In our State of Montana, I asked were there any bottlenecks. The State people were very frank about it. They said:

> We're trying to distribute as rapidly as we can. We get the butter and the cheese that we apply for. We can't get any dried powdered milk. But our two trucks are kept busy all the time, making these deliveries from the central warehouse to the senior citizens centers and the Salvation Army and wherever else they agreed to have it.

Let me tell you that two trucks in the State of Montana don't amount to very much. The State of Montana is not in the shape where they only have to commit two trucks. They could commit *x*-number of trucks, whatever it took, to take care of whatever they could get their hands on from the U.S. Government from these Federal warehouses, and push it out.

It's shameful, but it always happens that bureaucracy gets in the way of commonsense. And the bureaucracy in Montana is just like the bureaucracy in the Federal Government only not as thick. But it exists.

Last year, for example, the State found it necessary to abscond with a certain amount of money from the fuel assistance that we appropriated. The legislature, in session now, is just getting around to telling the State they ought to repay that money for fuel assistance.

It's just an example of State bureaucracy having a little different slant on things, and not finding it too necessary to react to some very urgent needs. People that are hungry and don't have good nutrition ought to have that first of all. And certainly people in need of heat shouldn't have that money diluted. I think we all understand that fuel assistance money is carried over to the next winter.

So my word of caution is simply this: We've got two bureaucracies to deal with; first of all, the Secretary of Agriculture, and the Department of Agriculture—it isn't just the Secretary, it's the whole Department of Agriculture—which doesn't feel too driven to really meet the need.

Secondly, if we set up more funding for State bureaucracy and States wait to get some funds out of CCC to do something they

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[1] See p. 55 for the prepared statement of Senator Pryor.

ought to do on their own—distribution. I wonder if we won't find the States just holding up on the problem until they get more dough allotted to them out of CCC.

Really, what does it cost the State to move this out of the Federal warehouses? It isn't all that great. The Salvation Army can distribute this food to people who need it; church banks can do it and are doing it, often without any assistance. Often we find church banks aren't getting any of these commodities. They're eligible. The State says they're eligible.

I hope we make it pretty mandatory in the bill, to make sure that it does contain all sorts of encouraging words for the Secretary, and get encouragement locked into our statutes for the Secretary to release these extra commodities when they're there. I hope we make it pretty mandatory that it can't be ignored, so that food really does move.

Senator DOLE. We'll have a witness later on from the Association of State Distributing Agencies, and he'll be here for questions.

We certainly thank this panel. Dairy has most of the action—that's why we gave you most of the questions.

Ms. FRIDY. We're very happy for the action. Thank you very much.

Senator DOLE. I would also like to include in the record in the appropriate order, S. 17 and a staff summary of the legislation.[1]

Our next panel will be Marshall Matz, American School Food Service Association; Ellen Haas, Public Voice; Barbara Temple, Greater Philadelphia Food Bank; Matthew Ahmann, National Conference of Catholic Charities; and Becky Kragh, Bread for the City.

STATEMENT OF BARBARA TEMPLE, GREATER PHILADELPHIA FOOD BANK

Ms. TEMPLE. I welcome the opportunity to address the legislation, Senator Dole and some of your colleagues have proposed.

My name is Barbara Temple; I am the director of the Greater Philadelphia Food Bank. We've been in existence for about 18 months, and we distribute presently about 285,000 pounds of foods per month; these come from surpluses that food companies have.

We were organized in 1980 in response to the need at that time. The need today for domestic nutrition programs, with unemployment, and a poor economy is even greater and growing. More people than ever before are turning to community organizations and churches for assistance. Food banks and those who work in food centers and soup kitchens and shelters and other nonprofit organizations for the needy poor, who receive food from food banks, do not consider themselves the answer to the problems that haunt America, but only one part, and a small part at that, of the solution.

The largest part of the solution must be assistance from the Federal Government. The bill which we are discussing today which Senator Dole recently introduced is noteworthy for many reasons, but primarily for its compassion and understanding of the plight of millions of Americans.

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[1]See p. 75 for the text of S. 17 and p. 80 for the staff summary of S. 17.

The intent of the legislation is to complement existing nutrition programs. And I would like for a moment to say something about that, and to again applaud Senator Dole for taking a strong stand in favor of those existing Federal nutrition programs.

The reasons for the situation in which we find ourselves today are complex, and though the answers to the problems of economic stress, and unemployment, are the problems of others; we who work with and who are concerned about the needy must try at the very least to ensure that our brothers and sisters are not also hungry.

President Reagan has asked that those of us with more help those of us with less. This is the American way and none of us disagrees with his suggestion.

But the plain fact is this: No charitable activity in our communities can ever replace these Federal nutrition programs.

In Philadelphia, for instance, there are 400,000 people who receive food stamp benefits. Approximately $14 million per month goes into the economy of our city through this program. These stamps are not eaten. They are used to purchase food which in turn creates jobs. When families don't have money or food stamps with which to purchase food, not only the recipient family but the entire economy loses.

People don't hoard food stamps, they don't save them. They spend them.

Those of us who are trying to increase the supply of food for the needy in Philadelphia distribute about 800,000 dollars' worth of food per month. But we distribute only food; food that is donated; food that cannot be converted into jobs.

There is simply no comparison between the food stamp program, for one, with its benefits to the community at large as well as to the individual recipient, and the charitable efforts in churches and other nonprofit organizations.

Aside from the fact that 800,000 dollars' worth of donated food has no relationship to the purchasing power of 14 million dollars' worth of food stamps, it should be noted that much of that $800,000 worth of food goes to families who already are participating in food stamp programs; families whose benefits hardly ever ensure a full month's worth of meals.

More reductions in food stamp programs create more need in our communities, a need that even with our best efforts can only be minimally met.

To contemplate an additional $1 billion in cuts in 1984, as the administration has suggested, is staggering. Is a family who now might not have food for a week now expected to have no food for a week-and-a-half?

The question is not only, where are our hearts, but where are our heads?

Senator Dole, in his introduction stated that it is unconscionable that Americans could again be suffering from the kinds of hunger and malnutrition that once plagued our society before the Federal nutrition program became a nationwide reality. It is unconscionable, but it is true: Americans are, again, suffering from hunger and malnutrition.

Without full funding for Federal nutrition programs, especially food stamps, the cracks in our social programs that Senator Dole spoke of, through which so many people fall, will become and in fact are becoming chasms; and the national dream of an adequate diet for all Americans, that we were well on our way to realizing, has become a monstrous nightmare of hunger and suffering.

In 3 years we have undone the work of more than a decade of effort and progress. I speak mainly of the food stamp programs because that program is the base of all our efforts. Without that base no amount of rhetoric, no combination of programs, and no charitable attempts to meet the need will make a dent in the problem.

To the problem of hunger in our country, the food stamp program is the safety net. It must be made stronger. To allow weakening and to put holes in it is to court disaster.

If we can assume that the food stamp program is the base on which all other efforts are built, we can then look at commodities and the role they play in alleviating hunger: a significant and a smaller part, but a part, nonetheless.

Poor people in Philadelphia welcome the announcement of free surplus food. Thousands of people stood in line for hours to receive a 5-pound block of cheese. There is no doubt that other products, processed and then packaged for individual household use, would be a tremendous blessing to needy families.

But it costs money to give anything away. I am pleased Senator Dole addresses this particular problem in his bill. If commodities can be given away, rather than stored, it makes absolute sense to transfer the savings in storage costs to the cost of transportation and distribution. Whether we are talking about the cost to a food bank that distributes hundreds of thousands of pounds of Government food surplus products, or the small church that gives this product to 100 needy people, there are costs involved.

And if—indeed, we are calling these products "free Government donations"—whatever, it should be free of cost to all concerned.

If the farmers get paid to produce it—and ultimately that's really what's happening—everyone on the distribution chain has to get back their share of the costs for giving it out.

I am also pleased to note that Senator Dole addressed the problem of advance knowledge of what products, their quantity, and packaging size will be available. Because of the sheer volume of surplus commodities, this project cannot be an ad hoc one. We need the time at the local level to plan for distribution.

Since the distribution of commodities to needy families is not now a normal part of the activities of those groups who usually give donations of food to the poor, there must be advance time to work out distribution on already crowded dates.

In the past distribution of millions of pounds of commodities to food banks and other nonprofit organizations has been haphazard, and has contributed to much of the criticism of the project by those very groups who are being asked to assist in making it work. The top of the pyramid in the plan to alleviate hunger in our Nation is the effort of thousands of charitable organizations, whether they receive donations of surplus products from food companies—as food banks do—or have canned food drives, as many churches and community organizations do. Second Harvest is the national network of

food banks to which I belong, we anticipate distributing about 45 million pounds of food in 1983. If additional efforts combined total 20 times that, we are still only looking at 950 million pounds of donated food going to the needy. This part of the three-pronged effort, the first being food stamps and other Federal nutritional programs; the second being commodities; and the third being charitable efforts—this part of the three-pronged effort is by far the smallest in terms of volume.

Certainly we have a part to play. But the Government has got to play the biggest part. Our work can only be supplementary.

To repeat my basic contention: this bill is of assistance to the needy; but no commodities bill will have the slightest impact if the food stamp program is cut again. There can be no tradeoff, only additions.

We are in a serious and critical situation. More reductions would be disastrous. The base of all of our planning must be a strong food stamp program. Without that, nothing we do will be more than a band-aid on the cancer of hunger and desperation, an emergency response to a now chronic and possibly terminal problem.

Thank you.

Senator DOLE. Well, Ms. Temple, what we'll do is have the other panel members speak first and then allow questions.

Ms. Haas.

STATEMENT OF ELLEN HAAS, EXECUTIVE DIRECTOR, PUBLIC VOICE FOR FOOD AND HEALTH POLICY

Ms. HAAS. Thank you, Senator Dole, and members of the subcommittee. I am delighted to be here with you today as the executive director of Public Voice for Food and Health Policy. It is a newly organized consumer organization formed to conduct research, education, and advocacy on food and health policies. At the same time I'm also presently serving my term as president of Consumer Federation of America, the Nation's largest consumer organization.

Public Voice is delighted to be here to strongly support this bill, I think because we take a very holistic look at the whole system; and we see that this bill constructively addresses three pressing problems facing agriculture and our country as a whole today.

On the one hand we have commodity abundance, and on the other, the problem of reoccurrence of hunger. With billions of pounds of surplus dairy products and hundreds of millions of bushels of grain spilling out of Government warehouses, the Federal commodities support program clearly faces a financial crisis. And as we know, acquisitions in this year will cost nearly $225 billion.

At the same time more than 21 million Americans are lining up to obtain food stamps; the number of hungry in this country is not getting any smaller; in fact, unfortunately, it's growing.

S. 17 addresses both of these concerns through a common means: it authorizes the distribution of surplus commodities to organizations which can get it directly to some of those who most need them. While the actual level of expenditure is modest, indeed, it is important that the bill formally link the need to alleviate hunger with the availability of surplus commodities.

As the committee undoubtedly recognizes–and I think the whole committee, the whole subcommittee has shown through the last several years a tremendous compassion about the problem of hunger in this country—the committee realizes it will never be solved, this problem, with giveaways of cheese or corn meal. Commodity distribution programs may help ease the pains; but they don't get at the underlying reasons for it; nor do they, like the existing food assistance programs, such as food stamps and child nutrition, attempt to provide balanced nutrition assistance in an ongoing systematic fashion to all those who need it.

In addition there is at least some possibility that we won't face as great a surplus problem in the future as we do today; and if that comes to pass, we will regret if we ever placed too much reliance on surplus commodity distribution problems to ease the hunger problems.

With reference to specific elements, I just want to touch on two small points: we are pleased that provisions have been included to address some of the problems that have been experienced recently with the distribution of surplus dairy products.

Most important are the provisions which direct the Commodity Credit Corporation to pay for the cost of processing and packaging commodities into forms suitable for home or institutional use; and especially the provision which directs the CCC to reimburse State governments for the cost in turn of storing and distributing and transporting those commodities; provided that the States do not charge the recipients, the recipient agencies, for distribution costs.

We have been told that the absence of funds in the past has been an impediment to the distribution of surplus dairy products; and we are confident that such a provision will result in far broader distribution.

In conclusion let me simply say that we're pleased to support this bill because it is a practical, pragmatic example of how all those concerned with the system, from producers to consumers, can work together to develop what appears to be a practical solution to the chronic problems we face today.

Thank you.

Senator DOLE. Thank you very much.

[The following letter was subsequently received by the committee:]

PUBLIC VOICE FOR FOOD AND HEALTH POLICY,
Washington, D.C., May 27, 1983.

Hon. JESSE HELMS, *Chairman,*
Committee on Agriculture, Nutrition, and Forestry,
U.S. Senate, Russell Senate Office Building,
Washington, D.C.

DEAR SENATOR HELMS: Recently you wrote to us requesting information concerning S. 17, the Commodity Food Distribution Act. We are happy to respond to your questions and apologize for the delay in providing you with this information.

In the preparation of our testimony, we consulted groups around the country who were involved in the distribution of surplus U.S. commodities on a day-to-day basis and from these groups we learned of the impediments to commodity distribution in the present program. For your purposes we think it could be best to contact these groups themselves and we would like to recommend in particular for you to speak with the Anti-Hunger Coalition of Texas. Mr. Zy Weinberg is the head of the organization and is involved with the commodity distribution programs and knows other program coordinators as well. Mr. Weinberg can be reached at (512) 474-9921 and at

3128 Manor Road, Austin, Texas 78723. Mr. Weinberg should have information on the extent to which commodity distribution has been impeded by the lack of sufficient funds to pay for various costs associated with distribution as well as the costs actually incurred by groups to distribute the foods.

In retrospect to your last question, we believe that the commodity distribution program contemplated should be a compliment to existing federal food assistance programs, which continues as long as we have the commodities available to distribute. We believe strongly, however, that the program should not be a substitute for existing assistance programs which, by design, are comprehensive in scope and are geared to providing broader and generally nutritionally balanced dietary assistance for the needy.

We are glad to be able to help you in your coordination of this important legislation; please contact me if we can assist you further.

Sincerely,

ELLEN HAAS,
Executive Director.

Senator DOLE. Marshall Matz, representing the American School Food Service Association; I think the record should show we appreciated your cooperation in trying to draft the appropriate language.

I do believe that, again, responding to Senator Melcher's concerns—if you just take a look at the section-by-section analysis of this bill, there's a lot of requirements; it requires this and it requires that; it requires the States to move—and I think his word of caution is well taken; but I hope we've addressed that concern.

Perhaps you might comment on that if you feel there's still some loopholes that might stymie the program?

STATEMENT OF MARSHALL MATZ, COUNSEL, AMERICAN SCHOOL FOOD SERVICE ASSOCIATION

Mr. MATZ. Thank you, Senator Dole.[1] I appreciate the chance to be here this morning, representing the 60,000 member American School Food Service Association.

I should observe at the outset it feels a little awkward sitting at this table as a witness as opposed to answering questions from behind you; but I am pleased to be able to be of service to this committee.

Senator Dole, the American School Food Service Association strongly supports S. 17. We view it to be an extremely important bill, and one that will compliment, not compete with, the provisions of the food bill currently being drafted by the administration and the leadership of the House. That bill is fairly limited in scope, and of short duration. The bill that you've got is really comprehensive and important.

I'd like to address just briefly the four specific provisions of S. 17, that the school lunch folks feel are of vital importance if this program is going to serve the child nutrition programs to the fullest extent possible.

First and foremost is section 2(a) of your bill, which would require for the first time, an objective and clearly defined trigger mechanism that tells the Secretary exactly when to distribute commodities to eligible recipient outlets.

As Senator Melcher accurately pointed out, the current law does authorize the Secretary to distribute commodities when he feels

[1] See p. 65 for the prepared statement of Mr. Matz.

they are not likely to be sold. Unfortunately, that's a very subjective test, and it's proven to be inadequate.

After the Secretary announced the PIK program the School Food Service Association wrote to him and requested that he add to the bonus list, corn, rice, wheat, and other items. The Department respectfully declined. We received, just several days ago, a letter from the Department dated February 2 that simply rejected our request, saying "present conditions do not permit favorable consideration of your recommendation at this time."

I'm not quite sure what present conditions they're referring to; but I would be more than happy to make this letter a formal part of the hearing record this morning. We were, needless to say, disappointed.

Senator DOLE. What is the date of that?

Mr. MATZ. It's dated February 2. I have several copies with me.

Senator PRYOR. Who wrote that letter?

Mr. MATZ. My letter was addressed to the Secretary; the letter was dated January 12. The response came from the Acting Deputy Director of ASCS, dated February 2.

Senator MELCHER. It was a negative response?

Mr. MATZ. Yes, sir. It said that conditions do not permit favorable consideration at this time.

Senator DOLE. We're trying to change those conditions now.

Mr. MATZ. Yes, sir. That would be helpful.

Senator Dole, it's our feeling, that if the mandatory provisions of S. 17 were adopted, we would distribute a greater quantity of surpluses than the Department predicted. When you look at their analysis, they include very, very limited amounts of corn. I know that we could certainly use corn, for corn oil or grits and other products that are useful to us. They referred to just 22 million dollars' worth of corn they feel would be used as feed for chickens, turkeys, and livestock. Well, there's a great deal of corn we could use directly. I kind of think we'll use greater quantities than the Department estimates, and therefore the bill is more important than the Department estimates.

Senator DOLE. I think it might be a good idea to have a copy of that made a part of the record.

[The letter from Mr. Matz to Secretary of Agriculture John Block and the response thereto follows:]

JANUARY 12, 1983.

Hon. JOHN BLOCK,
Secretary of Agriculture,
U.S. Department of Agriculture,
Washington, D.C.

DEAR MR. SECRETARY: We note with interest the Department's announcement yesterday to implement the Payment-In-Kind program (PIK). Under the program, as you point out, producers would be able to use the grain for animal feed or for sale. A PIK program for overseas is also being discussed.

If the Department is going to use our agricultural surpluses for hog feed and chicken feed, and for free donations overseas, the commodities should also be shared with the nation's children through the National School Lunch Program. The bonus dairy products that schools currently receive have been extremely important in holding down the costs of school lunch for millions of children. Bonus wheat, rice, and other commodities, coupled with an improved distribution and processing system, would not only strengthen our child nutrition programs, but could assist the Department in disposing of surpluses.

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We would very much appreciate your consideration of our request.
Sincerely,

MARSHALL L. MATZ,
Counsel, American School
Food Service Association.

U.S. DEPARTMENT OF AGRICULTURE,
AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE,
Washington, D.C., February 2, 1983.

Mr. MARSHALL L. MATZ, *Counsel,*
American School Food Service Association,
Washington, D.C.

DEAR MR. MATZ: Thank you for your letter to Secretary Block in which you request that consideration be given to donating surplus grain products to the National School Lunch Program.

Current policy provides that the only commodities to be distributed as you have suggested are those of which the Government holds excessive stocks that are not likely to be disposed of through commercial channels or are likely to deteriorate in quality if stored for extended periods. This is the present situation with dairy products and honey. However, such is not the case with wheat.

Also in your letter, you mention the Payment-in-Kind program (PIK). The PIK program is designed to encourage farmers to further reduce 1983-crop acreages of grains and other commodities from the previously announced programs.

The majority of the grain to be used for the PIK program is owned by the farmers and not the Government. Most of the stocks that are owned by the Government are being held in reserve, under mandate of law, and are not available for distribution. Available Government-owned stocks will be used to satisfy PIK entitlements to farmers only in instances where a producer has an insufficient quantity of his own grain to satisfy his entitlement. Such a program is in keeping with the primary purpose of surplus removal of agricultural commodities which is to stabilize prices to the farmer. It should be noted that PIK grain, like any other agricultural commodity, will ultimately end up in the food chain.

We share your desire to provide a suitable outlet for the stocks of grain which currently exist and are committed to providing for the needs of the child nutrition program. However, present conditions do not permit favorable consideration of your recommendation at this time. Your continued interest in our program is appreciated.

Sincerely,

———— ————,
Acting Deputy Administrator,
Commodity Operations.

Mr. MATZ. The second part of your bill that I think is extremely important is the provision for administrative expenses. The schools currently receive USDA dairy products. But our consumption of the dairy products has been inhibited and limited by the fact that many States charge local schools for service charges.

In other words, the commodities that the Federal Government intends to be free, leave the Federal warehouses free; but they don't arrive free. Because many States are charging for distribution expenses. In short you have local recipient agencies paying and absorbing State administrative costs.

The fact that this bill will provide Federal money for State administration is really important.

As a corollary to that, Mr. Chairman, you provide in your bill under section 5, the appropriate complementing provision which says to the States: If we are going to provide you the necessary administrative moneys, we're going to prohibit you from charging eligible recipient outlets those fees.

Resources are very limited at the local level and yet charges vary radically from State to State. Some States do provide free delivery, but many States do not—even for schools. The State of California is probably noted for the highest charges anywhere in the country.

If those commodities were received free it would increase the consumption and use at the local level.

Last, another provision of your bill that's important to us, is section 6 which would instruct the Secretary of Agriculture to develop a system to make it easier for schools to get access to commodity processing.

There are only so many grilled cheese sandwiches students are going to consume. On the other hand—notwithstanding how good the cheese is—if we could turn that cheese into tacos and pizzas and other things, it's going to increase consumption.

Now, here again, I have to revert back to the frustration that Senator Melcher refers to, because it's our opinion that that authority also exists under current law for the Secretary to implement such a system.

As a matter of fact, the Secretary of Agriculture last May, May 1982, announced a proposal that he was calling the private sector inventory system.

The Secretary announced it is part of the dairy package. The Secretary was also the keynote speaker last July at the American School Food Service Association Convention in Denver and he again announced it there. But the regulations have never been published.

It's been reported through various newsletters, and I'm looking at the dairy industry newsletter that Jim Webster writes, that OMB rejected the plan.

As recently as several months ago, Secretary Block wrote to members of this committee saying the regulations had cleared OGC, had cleared the Department, and would be published soon.

Well, we're still waiting for that publication. So we are very pleased to see that provision in your bill which would require the Secretary to take action.

All in all, Mr. Chairman, we think S. 17 is an extremely important bill. It does a very effective job for both the agricultural and humanitarian goals that this committee shares.

We are enthusiastic in our support. I appreciate your offer to look at successive drafts to make sure you've got the loopholes out.

Senator DOLE. Right. I think that's one thing we need to focus on. This is sort of an informal hearing, and we do want to move very quickly or the year will be gone. I know what happens around this place.

Mr. MATZ. My understanding is there are two House committees that are also looking very closely at this subject, the Education and Labor Committee, and the House Agriculture Committee.

Thank you very much.

Senator DOLE. Thank you.

How do I pronounce your last name?

STATEMENT OF MATTHEW AHMANN, NATIONAL CONFERENCE OF CATHOLIC CHARITIES

Mr. AHMANN. Ahmann.

Mr. Chairman, I'm Matthew Ahmann of the National Conference of Catholic Charities. I wear a different collar than the person who was to testify this morning, Bishop Joseph Sullivan. He sends his

regrets, and I think he sent you a telegram which we'd like to have placed in the record.[1]

The National Conference of Catholic Charities supports S. 17, your bill, as a way of making permanent some measure of meeting emergency needs in the States and communities around the country.

We've seen in our agencies an increase over the last 2 years of 300 to 400 percent in requests for emergency food, shelter, and other kinds of assistance.

I happened to call Catholic Charities in Little Rock the other day, and was told that their requests for emergency assistance has tripled from a year ago. And you know that from your own work in the State.

We were pleased, incidentally, Senator Pryor, for the bill that you had in the last session; and hope it will come out with this bill in this session of Congress.

Because of this intense level of need we've got an environment in which to place into law the kind of program that you suggest in the bill; and yet we hope it doesn't presage for some cuts in other regular standard nutrition programs, the child programs, the elderly programs, and the crucial food stamp program.

We're pleased that the bill broadens the number of commodities that can be made available and will be made available. And we hope the Department is responsive.

We're pleased with the very clear inclusion of nonprofit organizations, church food programs, food banks, and the like, as recipient agencies.

And we're certainly pleased with the provision for administrative costs to be met, to be able to move the commodities around and package them in family or institutional size lots.

What I would like to state in addition to our endorsement of the legislation is very clearly our concern about the other commodity programs that the full Agriculture Committee has not heard yet this year.

The administration is on top of previous cuts proposing additional cuts in food stamp programs, which, if enacted even partially, will create more problems than this bill in its first year will overcome.

There are proposals which would lower benefits for families with high shelter costs; they would change the work deduction and lower the benefits for working poor, who are already running out of benefits before the end of the month, and coming to the food banks or the church or food programs; and the freeze on the cost of living adjustment would produce the same result.

I hope that we can keep these larger issues in mind and that the country doesn't get the impression that what is a very important bill in S. 17 is a substitute for the larger programs we have to strengthen and maintain.

Thank you very much.

Senator DOLE. Thank you very much. I can tell you, this is a supplemental effort—it's not a substitute.

Mr. AHMANN. I understand that.

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[1]See p. 74 for the telegram from Bishop Sullivan.

Senator DOLE. Ms. Kragh.

STATEMENT OF BECKY KRAGH, BREAD FOR THE CITY; ACCOMPANIED BY JOSEPHINE SYKES

Ms. KRAGH. Thank you. My name is Becky Kragh, and I represent Bread for the City which is one of the locally sponsored food pantries in the area. We distribute free clothing and free food to the needy of Washington, D.C.

We are greatly encouraged by this bill and hope it will make available food to agencies such as ours. My experience thus far with commodities programs has been disheartening. We've approached and tried to acquire supplemental foods for our agency and been denied because we do not provide hot meals. It's my understanding of the regulations that only programs that provide hot meals can receive commodity foods.

My understanding of this bill is that that would change.

We give out grocery bags of food, a 2-day supply, to the needy, and we would now become eligible.

The other provision of the bill to provide for administrative costs, storaging, packaging, transportation and such, would also greatly benefit agencies like ours, because we are running on a shoestring, sponsored by cash donations from churches and individuals and groups.

The cost to distribute all of our food, store it, to pay the rent and pay the lights is always difficult; and so the provisions help us so that we don't have to worry so much about picking up these, absorbing these costs at a distribution point.

In the last 2 months we have been one of the agencies who distributed the butter-cheese giveaway; and had a very positive response from our clientele. In fact, during the last 2 weeks we've had a number of requests; but we no longer have butter and cheese, and have to keep telling them. Well, we'll have it again.

We appreciate this opportunity to comment on this bill and thus agree with what others have said that agencies, such as ours, cannot eliminate hunger. We are dealing with people in need, who have lost food stamps or have had them stolen; and so for us, it will be a great boon in helping us eliminate some of the great poverty and loss incurred to us in purchasing food. We hope we would be able to get some from USDA in the future.

Thank you. As I say, our agency and other agencies like us cannot eliminate hunger problems; but we welcome the opportunity to distribute commodities.

Senator DOLE. Becky, thank you very much for appearing on such short notice—less than 24 hours.

Senator Melcher.

Senator MELCHER. There's a question you have alluded to about food stamps; would you approve some restriction on food stamps and whether food stamps could pay, for instance, for potato chips or Fritos?

Ms. HAAS. As much of a food nutrition advocate as I am—and that issue has come up before—I don't think it's appropriate as a provision to be included in a food stamp bill, which dictates how

the food stamps should be used, and what kinds of products that they should be bought for.

I don't think that's the appropriate way.

The appropriate way through a policy that was begun several years ago is the dietary guidelines and Nutrition Education and Information Act; and I would hope that that would go a long ways into making a more nutritious population.

Senator MELCHER. Is there any other reason?

Senator HAWKINS. Are you available to teach the public?

Ms. HAAS. Am I available?

Senator HAWKINS. Yes?

Ms. HAAS. As it happens, more than 20 years ago I began my career as a history teacher in Oklahoma City, teaching kids about that age.

But, no; I can't put myself up for hire to go around teaching nutritional education.

But I don't think it's an appropriate place. I think we should not be in the business of dictating on one hand what food stamp recipients should eat, when, on the other hand, we're providing food assistance. That's my concern on public policy.

Senator MELCHER. How about the change? Are you ready to recommend script again?

Ms. HAAS. Again, from what I heard in last year's hearings—and I'm not an online expert in this field—but that it could create more problems and more administrative costs than the savings that would accrue.

And so I, again, look at that very skeptically. And it's not something that I would support at this time.

Senator MELCHER. How about you, Matthew?

Mr. AHMANN. I think I agree with those two remarks.

But they did remind me of something that was in the back of my head: you might want to have a simple sentence in this bill that says that the commodities distributed are not counted as income against any other benefit program.

Some of the States are counting absolutely everything out of the sky.

Senator MELCHER. It's in there.

Mr. AHMANN. Is it?

Senator MELCHER. If not, we'll make sure it is.

Mr. AHMANN. OK.

Senator MELCHER. Well, I only asked those questions since we'd soon be marking up food stamps. It seemed to me that in our State you can buy beer in almost any supermarket; and at the checkout counter, they can take out the cigarettes and beer, what-have-you. So I don't know if it would be any harder for clerks for them to take out the Chitos and Fritos.

Mr. AHMANN. Senator, they do that, for example, in the District of Columbia; food items are not taxable, but other supermarket items are; and they can handle that very easily.

Senator MELCHER. I know.

Ms. HAAS. It could be done, but where do you draw the line?

Senator MELCHER. Well, I don't know. But obviously we've drawn the line on beer and cigarettes; I guess we can draw the line somewhere else, too, if we want to.

In regard to the change item, I get just as many complaints from the people that are running those checkouts, and standing there for the supermarket, and from the managers of those stores, and the owners of those stores as I get from other people. They're watching these people take the 80 cents in change or whatever it is, and doing it six times a day.

So, again, we talk about script; it's hard to handle by the checkout people; and I agree, it probably is. But, nevertheless, these are the same people I'm getting the complaints from.

Ms. HAAS. Well, there's also a cost involved in it, administrative costs, and the printing costs. I would hate to see benefits being cut at a time that we're going to be spending money for script; and especially in a system that through retailers that I have heard represent and testify, that it creates problems. I don't feel I am an expert on that to pass the final judgment on that.

Senator MELCHER. Becky, are you doing this in the District? I assume you are.

Ms. KRAGH. Yes.

Senator MELCHER. Have you gotten dried powdered milk yet?

Ms. KRAGH. No.

Senator MELCHER. Have you applied for it? Or have you been told not to apply for it?

Ms. KRAGH. I haven't heard anything about it.

Senator MELCHER. Do you want it?

Ms. KRAGH. Sure.

Senator DOLE. He can get you some. [Laughter.]

Senator MELCHER. I haven't been able to get any for Montana yet; but maybe we can break the logjam by getting it for the District first.

How much money are you operating on?

Ms. KRAGH. We have a budget of $60,000 a year. We have four full-time staff on subsistance salary, and 10 regular once-a-week volunteers.

We spend about $30,000 a year on food, purchasing food, which, store value would be about——

Senator MELCHER. Is that out of the $60,000?

Ms. KRAGH. Yes. About half of our budget, $30,000 goes to purchasing food; the other half goes to the administrative costs.

Senator MELCHER. Now, $30,000 is $2,500 a month; how much food do you distribute during that time?

Ms. KRAGH. OK, we distribute about, between 2,000 and 3,000 pounds a week.

Senator MELCHER. Are these commodities or not?

Ms. KRAGH. We get food——

Senator MELCHER. Or is it a combination?

Ms. KRAGH. We get food, some of it, just recently, in the last 2 months, we've gotten the cheese and butter supplies; and we get most of our food through donations from the Capitol Area Food Bank, from canned food drives, and such; the grocery stores give us their unsaleable, out of date food. And then what we can't get, we need to purchase wholesale.

Senator MELCHER. It's costing you $2,500 a month for purchases out of your own funds; is that correct?

Ms. KRAGH. Right.

Senator MELCHER. And you're getting some from USDA and some donated in other ways?

Ms. KRAGH. Right. We—our last computation of the cash value of the food that we give out, grocery store value, was about $150,000 a year. We paid between $25,000 and $30,000 to accumulate that.

Senator MELCHER. Pretty good.

Do you have to get cleared through the District to get commodities from the USDA?

Ms. KRAGH. Our application for—when I approached the USDA to get commodities, we were denied because we are not a feeding program. We, through the Local Council of Churches, we were designated as one of the distribution points for the cheese and butter. But we can't get the other commodities that school lunch program and such get.

Senator MELCHER. Yes, I understand. But as far as the dairy products, you're cleared on that; and that was to proceed through the church, affiliated church groups; and then they in turn I suppose got approval from the District or from the Department directly.

Ms. KRAGH. Yes.

Senator MELCHER. All right, thank you.

Senator DOLE. Senator Hawkins.

Senator HAWKINS. How do you distribute the food?

Ms. KRAGH. We give to the elderly, disabled and those who are caring for dependent children.

Senator HAWKINS. Do they come to you?

Ms. KRAGH. Yes.

Senator HAWKINS. You don't go to them?

Ms. KRAGH. No. We do have an agreement with agencies for the elderly, and that's delivered; we deliver to elderly homes.

Senator HAWKINS. It's my understanding of your answer that when you asked for milk you were told you were not eligible? In fact they told you you were not eligible for anything at USDA; however you received the butter and cheese through——

Ms. KRAGH. The church.

Senator HAWKINS. The church program.

Senator MELCHER. I think they're eligible for all dairy products now.

Senator HAWKINS. Now.

Senator MELCHER. Yes. As long as they are clear of the other loop; but beyond that, they're not eligible.

Senator HAWKINS. Does anyone know on the panel what size dried milk containers are available for distribution right now, if you were to make a warehouse call; as large as a breadbox? In what quantity is it stored?

Senator DOLE. Does anybody here know?

Senator MELCHER. Susan would know.

Ms. FRIDY. I didn't hear the question.

Senator HAWKINS. What's the size of the milk that's in storage today, if I were to drive by to pick up some?

Ms. FRIDY. Fifty-pound bags.

Senator HAWKINS. That's the smallest?

Ms. FRIDY. Well, that's how it's bought by the Government. But with a processing contract they could package that in any size available.

It really does have to be reprocessed for family distribution, because as purchased by the Government it is not "instantized." And you really need an instantized product to go to families.

Senator HAWKINS. Is it in large drums or is it in another container?

Ms. FRIDY. I understand it's in bags.

But the reprocessing is really not a problem with this legislation which leads the way.

Senator PRYOR. Well, may I ask a question on this point?

Senator DOLE. Senator Pryor?

Senator PRYOR. On this point, I would ask if the Government could process this in the beginning, it seems like it's in warehouses now but is it for public consumption, or not for family consumption? Is that the distinction or is there a distinction?

Ms. FRIDY. It is useable by institutions. It is useable by families, but it doesn't mix very well; and a lot of individual families really don't care for lumpy skimmed milk. Instantizing it just makes it much more acceptable.

But you're right, it could be purchased by the Federal Government in an instantized manner. We have encouraged them all along to buy products that are directly useable. Sometimes they will make mozarella cheese out of dried milk; why not buy mozarella in the first place and save all that expense.

Senator PRYOR. And why don't we require it be instantized in the first instance, rather than having to do it again?

Ms. FRIDY. Well, I have a theory and that is that I feel the Department really has not through the years looked at distributing these commodities; they only looked at storage of them.

So they tend to buy commodities that will store rather than be useable.

In fact, one of the reasons that National Milk Producers welcomes this bill so much is because it will make these products useable. Headlines have been saying, "free cheese is available", and yet the cheese really wasn't moving out because of problems discussed here today. And the same for international distribution. The headlines say it's available internationally, and I think it boils down to an attitude of as long as the product is in storage it hangs like a dead weight. We would like very much to see the product put to the best use.

Senator PRYOR. Well, this is all new to me.

Ms. FRIDY. If they purchased it in a form that was more useable it would definitely be an advantage.

Senator DOLE. Yes?

Mr. MATZ. Yes, if I could just underscore what Susan was saying, I would share her speculation.

There's almost two bodies of law. You have all these agricultural statutes which are aimed at price support programs and other very important agricultural concerns.

And you've got another body of statutes that tend to be lumped under income security.

There has never really never been an attempt, until this bill, to bridge those two needs and concerns of the committee.

A lot of the commodities are exactly that: More storable than useable; and bridging those two needs is so important.

I remember seeing it during the conference on the 1981 farm bill, were it not for the Melcher amendment that prohibited OMB from charging schools and other recipients, the free cheese wouldn't be free. The OMB feeling at that point was that these bonus items should be deducted from entitlement programs.

Senator DOLE. Senator Pryor.

Senator PRYOR. Becky, let me ask you this: is your agency a United Way recipient, an agency involved with the United Way?

Ms. KRAGH. We—you see there are two parallel organizations; there's United Way and United Black Fund; and we are a member of United Black Fund.

Senator PRYOR. I see.

I'm very aware that your organization is with the Catholic——

Mr. AHMANN. Yes, Senator, and in your bill there is provision I think for the addition of two organizations that are not in United Way; that might very well be broadened. There are associations of food bank type organizations—they are new kinds of organizations in the last year or two.

Senator PRYOR. Well, Mr. Chairman, your legislation—and once again, I'm a strong supporter. Let's assume that today we would pass that legislation and have it signed by the President; how long would it be from today or from the date of signing, before these commodities actually start getting to where they need to go? How long does it take?

Senator DOLE. Well, I don't have any experience but I think if we do mandate it, and there are a number of provisions that would be mandatory, I think it would be, hopefully, very quickly.

Mr. MATZ. Senator, as a practical matter, each commodity is different. If it's rice, where you don't need processing, and it's in a form that we can just distribute to recipient agencies, schools, food banks, and others. I would think the time would be short.

Where you're talking about wheat that has to be processed into flour, and then probably reprocessed by recipients into pasta or whatever they want to do with it, the time would be longer.

Senator PRYOR. Are we talking about spring?

Senator DOLE. Well, maybe for parts of it. Most of it I think we can move rather quickly.

Senator HAWKINS. Would the report language say the end product should be suitable for home use, and that you are going to add more food value to the product? Will it take more labor on the part of people, whipping it up in the blender or whatever they may have. That could take a long time.

Ms. KRAGH. If they have a blender.

Senator HAWKINS. So it seems to me we should have it as readily dissolvable as possible; that's just a suggestion after hearing it would be more helpful if it was instantized.

Senator Dole, I see a lady has joined us at the end of the table.

Senator DOLE. Right. She was, as I understand it, delayed because of weather. Becky, why don't you introduce her? We're happy to have her here this morning.

Ms. KRAGH. The lady at the end of the table is one of our volunteers here in the city who volunteers her services in food giveaways. She graciously volunteers her time twice a week, and perhaps she could speak as a recipient.

Would you give your reactions to what you have experienced so far with the butter and cheese giveaways, how that's helped you?

Ms. SYKES. I think it's helped out most very well, because we had so many people we had to close the doors so many times to get ourselves reorganized, you know, and open the doors to let them back in to get the cheese and the butter. And I think Bread is doing a very good job helping, you know, the senior citizens and disabled so far as clothes and food-wise; because they claim if we didn't give them some food they didn't have anywhere else to go. We try to give them enough to last for 2 days. And this is last August, you know, volunteer work. I enjoy helping people, because they don't get that many food stamps.

Senator DOLE. What about the elderly or handicapped who can't stand in line or can't make it to the distribution center?

Ms. SYKES. What we try to do when we see the elderly or the handicapped standing outside, we let them in, you know; people who are good and healthy can stand up for a little longer. But we let the older ones and disabled come in.

Ms. TEMPLE. I was just going to say if the distribution of commodities became more than just a one-time project, I don't think that we'd see the long lines that we've seen in the past; because they would become a part of our normal, daily, distribution procedure.

Senator MELCHER. Let me answer part of that question from my own experience and say that at a senior citizen center that distributes 140-some hot meals 5 days a week, I was told by the cook 2 years ago that they are ready for dried powdered milk any time. Now, sure, it's nicer if it had something in it that it would be easier to dissolve. But that cook could use a 50-pound bag at any time. The fact is right after we passed the 1981 farm bill the States and other agencies have been told that butter and cheese is available, but dried powdered milk is not.

Now, that's what the Department is telling them. Why they're telling them that is, I think, is irrelevant; because it's disgraceful that it hasn't been distributed.

At the same time that the hot meals are going out, extra cheese can be placed on with those hot meals and be allowed for the elderly.

It was almost 2 years ago this month that the Department of Agriculture testified before the Senate Aging Committee that, "yes, indeed, the Department was very much in favor of distribution of these dairy products because, indeed, it was costing more for storage than it was to distribute it."

And that applies today, particularly to dried powdered milk. The storage costs are much greater than the cost of distribution. It should be immediately released.

Ms. HAAS. I was not aware about the nonfat dried milk powder which, to compound the issue, which gives me concern as a consumer, a year and a half ago the Secretary denied a consumer petition to change the milk marketing order regulation to allow for re-

constituted milk products to be sold without a tax, a compensatory payment that was paid to producers.

So we have a double-compounded issue in that we also have the milk marketing regulation setting up a system where although a cost-nutritious product is not available in supermarkets today because of our regulatory structure, but you have the poor person having the whole system coming at him in several directions. I think that this is a step in the right direction in putting it all together to help.

Senator DOLE. Mr. Matz.

Mr. MATZ. Just one final observation, if I may. Part of the problem I think is the commodity distribution infrastructure we've got throughout the United States, or don't have throughout the United States.

Candidly, the infrastructure that distributes commodities throughout the country has been pretty much under attack for about 10 years now. I remember back about 1974, at that time there was a proposal to eliminate commodities distribution.

Now, Lee Stambaugh, who represents the State Distributing Agencies, perhaps could address that.

But it's a real concern. On the one hand—it's very interesting—this committee is very concerned about how to distribute more commodities.

But just 1 year or 2 years ago there was a tie vote in a House committee on whether or not to eliminate the commodity distribution program in favor of a different system or cashing it out. Of course, that had a rather chilling effect on the commodity distribution program, and on the people at State level.

So some type of legislation that would set into law such a program is very important. The current authority, as you've heard over and over today, is discretionary. It results in a lack of formal planning at the State and local level.

So a firm sense of direction as a matter of policy from the Congress stating: We feel this program is important; and we are going to lock it into statute; and that we think it should exist for a while—would be extremely important to making the program work at the State and local level.

Ms. TEMPLE. I'd like to add to what Marty said.

I know that when we've gone to our State and asked about what can we expect in the future, three times they've told us, this is the last time. They don't look to the future. And we can't plan that way. We've got to have a schedule of what is going to be distributed, how it will be packaged.

Senator DOLE. We do make that requirement in this proposed bill. I think one thing we must always be alert to—and I know everybody wants to be helpful, and everyone is sensitive and compassionate—is potential abuse. The one thing that would kill a program like this is for somebody to abuse it. I hope we have the appropriate provisions here to monitor the program and see somebody is not taking advantage of it.

We have almost daily criticism of the food stamp program, and some of it is probably justified. In those areas I think we ought to continue to focus on efforts to reduce the waste, fraud, and abuse. I share the concerns that cutting the program for budgetary reasons

doesn't make a great deal of sense to me at this point. But the food stamp program has sustained substantial cuts over the last 2 years—over $2 billion per year.

Still, at the same time, there may be areas—and we're going to be looking at those areas in general hearings in the next 2 months—we can address how we can continue to try to tighten up on the program to eliminate some of those things we get letters about every day from good people who are willing to support the program who see someone else ahead of them buying a lot of things that they themselves can't afford.

So if anybody has any ideas in this program—we don't want to read something in the paper or see it on television where somebody is profiting from an effort to help poor people. We can't avoid all of that, obviously; it always comes up.

Mr. AHMANN. I think, Senator, one might want to relook at the sections which enumerates the kinds of organizations, because you could there get organizations without boards, without an audit of the books. So probably the best safeguard you can have is some kind of accountability there.

They could be associated with Council of Churches and they could be accountable that way. I think there are ways to handle that.

Senator DOLE. Well, any specific suggestions would be appreciated. Are there any other questions?

Senator PRYOR. Just as a matter of information, how many agencies are right now currently involved in the distribution? Is there any way of knowing how many Federal agencies are involved right now in this distribution cycle?

Ms. HAAS. How many Federal agencies?

Senator PRYOR. Federal, excuse me—Federal, State, or local agencies that might be involved in the distribution of commodities?

Ms. HAAS. I have no idea.

Ms. TEMPLE. I know in Philadelphia we are talking about 300. That varies in degree; some only give products to 10 people.

Senator DOLE. Well, we appreciate your testimony very much. Thank you.

Our final witnesses are Darrel Gray, Affiliated Food Processors, and Lee Stambaugh, Association of State Distributing Agencies.

STATEMENT OF DARREL GRAY, AFFILIATED FOOD PROCESSORS

Mr. GRAY. Mr. Chairman and members of the committee, I consider it a privilege to be here this morning; and also I am pleased to be here this morning after driving in that traffic, I really mean it: I'm pleased to be here this morning! [Laughter.]

My name is Darrel Gray, I'm with Affiliated Food Processors and will be testifying this morning from a unique perspective: I've made the transition to the private sector just in the last year. Prior to that I had 21 years with the Federal Government; 15 years were with child nutrition, food stamps and the school lunch program; and the last 4 years as National Director of Food Distribution.

So I come with mixed emotions. I'm used to coming to a hearing to defend the Department of Agriculture's actions. Today I am

hearing many of the same comments, especially similar to the letter credit hearings of a couple of years ago.

And I believe that having more knowledge of the inner workings of a situation makes it more difficult to come up with an easy solution to the problems that are out there. For example when you talk about the Department of Agriculture, you're talking about one agency; but, really, within USDA, you're talking about the Agricultural Marketing Service for Fruit and Vegetables; you're talking about ASCS, for the dairy products; and you're talking about the Food and Nutrition Service that's actually distributing the commodities. In addition you have both physical and political restraints to doing a good job.

But these agencies have their problems, and I am sure you will be addressing this, not only dollars and cents, but the manpower to do the job right. And I do see an underutilization of the private sector.

I think for some reason, when you're in Government, and you start involving the private sector, there is a fear that there may be some profiteering going on. So, you're very careful to close all the loopholes and tighten down so tight the private sector really can't operate, efficiently. And I think Mr. Melcher touched on it. We sometimes lose sight of commonsense when we're trying to administer some of these programs.

There are two very important aspects of the bill as I see it. To start with, it establishes a food distribution program for the first time.

In the past we've really just had pieces of legislation; we had a piece of section 32, a piece of section 416, and a piece of the National School Lunch Act. And when you're in the Department of Agriculture you're grabbing at all these pieces to justify making a distribution and to justify it to OMB—and that's not always easy to do.

So, this really does establish a program. And I'm pleased to see that.

I am also pleased to see how many of the things I jotted down as problems in the program are addressed by your bill; it just fits right down the line.

For one, the recent dairy giveaway that you had took dollars to move the goods from the Department of Agriculture to the State agency, your bill addresses that. Then you've got to have a distribution mechanism within the States, and Lee will probably touch on the fact that you need some assurances it will be ongoing before you start reestablishing the distribution networks—some continuity is necessary.

The expanding of the eligible outlets and the recipients is a very important component of your bill.

And then the use of food as a surplus for the needy. A problem we always ran head-on into was the fact that you could give food to institutions—I think that was addressed a little earlier—they could get the cheese; but they couldn't give it to needy families because the food stamp legislation stood in the way. This really opens the door.

And I do understand the concern about this maybe taking away the food stamp program, but it should be viewed as supplemental.

And those are all important points.

So, I'll just take my time this morning to focus in on a section that has just been touched on; and that's your section 6.

Your section 6 talks about using the private sector, actually directs the Secretary of Agriculture to use the private sector. I believe Marshall Matz touched on it too, as it relates to processing contracts.

I'd like to make a distinction between—the surplus commodities in storage now, you've got 700 million pounds of cheddar cheese. I can't imagine that much, but there's 700 million pounds of cheese in storage. And some of those are 500-pound barrels, some are in 40-pound blocks. And the Secretary of Agriculture is authorized to process cheese to a certain level. And that's what's been donated; the 500-pound barrels have been converted into 5-pound blocks of processed cheese.

Then we hear about nonfat dry milk; but it's in 50-pound bags and is not instantized.

So, in order to get the food to food banks to give it out, you need to have some processing money to convert that bulk food into a useable end form for households; you can't give them a 50-pound bag.

That's one part of processing. The second part of processing is addressing institutions, school lunch programs, veterans hospitals, senior citizens homes, places like that, that actually buy their product. And they buy institutional sized products.

The private sector through processing contracts could take bulk cheddar cheese, without USDA now having to pay to have it processed, and convert it into, let's say, pizza. With flour as bonus, they could also utilze the flour in railcar quantities; it would not have to be repackaged by USDA at extra cost; and they could manufacture a pizza to be sold to a school or a hospital or veterans hospital. The processor, then, be it a Pillsbury, Del Monte, or General Mills, would have to reduce the cost to the recipient agency by the value of the commodity ingredients.

And until the processor sells the end product to an eligible outlet they are accountable for the full value of that inventory.

Now, currently they can do that through State agencies such as Virginia; but not all State agencies, unfortunately, are as progressive as Lee Stambaugh's. There are some that are still dragging their feet about making this type of program available to their schools.

So, that means there are schools in the country that can't maximize their use of the bonus dairy products because they can't buy through processing contracts from the private sector. In some cases the constraints are dollars and cents at the State level, or a lack of manpower, or just an opinion that: "We don't want to get into this area of management."

But when you have 23 million children eating lunch every day, and probably another 10 million eating a la carte, it's a large market that you can then move the surplus food into. Some folks view the surplus as a curse—but I think it's really a blessing—and as long as we have hungry people it should be considered a blessing that we can provide to them.

With section 6 of the bill we can move the surplus through the system with a minimum of input and expense by the Department of Agriculture.

There are currently many companies doing this already and, there are many schools benefiting from it in those States that are taking a progressive standpoint; but the problem has been that in those States that do not permit processing contracts, there's no way a processor can sell to a school district without State approval and therefore the schools are automatically blocked off from participating and maximizing their use of surplus commodities.

Even if there was maximum cooperation a prosessor would have to have a processing contract in 50 different States; at least 50 contracts, and up to a couple of hundred, contracts where State agencies require a processor to have a contract with each individval school district.

And then the processor must also maintain separate inventories for each of the indivdual contracts. And you just see this as a discouragement to some companies to enter into processing.

This bill would set it up so there could be one agreement with the Department of Agriculture and one inventory requirement. The processors then could sell to all designated eligible outlets who could participate equtably and utilize surplus commodities to the fullest. Therefore section 6 is very key part in your bill that's essential to move the vast quantities of surplus commodities.

Senator DOLE. Thank you very much.

Mr. Stambaugh I hope you might address the question Senator Melcher raised earlier about State bureaucracy.

Mr. STAMBAUGH. I'm sorry, I didn't hear it; I got stuck in the traffic, too.

But, yes; I can address that.

STATEMENT OF LEE STAMBAUGH, NATIONAL ASSOCIATION OF STATE DISTRIBUTING AGENCIES

Mr. Chairman, I am Lee Stambaugh, I represent the National Association of State Distributing Agencies for food distribution, the agency at the State level that handles donated foods and distributes to your local outlets.

Mr. Chairman, our people in the State distributing agencies welcome this opportunity to comment on S. 17, and to offer insights into the needs that the bill addresses.

So, many points have already been covered this morning, so I will summarize my statement.[1]

Our State distributing agencies serve as the link between USDA and the recipient agencies, the school lunch program, nutrition programs for the elderly, child care centers, charitable institutions, the commodity supplemental feeding programs for mothers and young children, the summer feeding program for children of low-income families, the needy family program on Indian reservations, disaster relief organizations, and others. We know their needs, and sometimes are frustrated by the situations that restrict the functions of the food distribution program.

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[1] See p. 63 for the prepared statement of Mr. Stambaugh.

One of the biggest frustrations is the lack of a clear-cut policy on those foods that are in enormous surplus.

Take the current case of America's wheat stockpiles. A survey among our State distributing agencies shows that substantial quantities of wheat flour can readily be put to use if the schools would be allowed to have it without restriction on quantity.

The same is true of other commodities that have piled up beyond the abiiity of traditional markets to absorb them in today's economy.

This has been a problem from time to time in the past, too, because of the on-and-off discretionary authority to release such commodities for distribution without restriction on quantities.

S. 17 establishes the framework and the mechanism for dealing with that problem in an orderly way. And we welcome this.

A second major handicap for the food distribution program is the lack of funds to get the donated foods to the recipient agency. While the USDA pays the cost of turning the crops into usable foods, it does not provide funds for the last step of the procedure: putting the foods in the hands of hundreds, even thousands, of schools and other recipients of each State.

As a result, each State must try to fill that gap. It isn't easy because most States simply cannot appropriate the necessary funds.

In recent years State distributing agencies have turned to new methods to improve distribution efficiency, while still operating on shoestring budgets. Regardless of what the type of intrastate distribution system is used, and no matter how efficient or economical—someone has to pay the cost. The costs generally have fallen on the recipient agencies.

The current distribution of cheese and butter to needy persons has drawn wide attention to the lack of distribution funds. Food banks, food pantries, soup kitchens, and related operations have no means of paying the cost. State agencies have adapted as well as they could to help get the foods to where they were needed. We have worked with nonprofit organizations, companies, and individuals that have volunteered their services, other State bureaus, and recipient organizations. All that effort still falls short. Money is needed to do the job right.

It makes sense to provide the funds so that the food distribution program works as it should, and not leave any gaps that interfere with delivering the foods within the States.

There is no question among nearly all the State distributing agencies that if such funds are made available, the distribution of foods to needy persons can be expanded to reach more people, and schools, and other recipient organizations and agencies can make greater use of donated foods.

This will happen if S. 17 mandates that sufficient Federal funds be furnished so that recipient agencies are not charged for costs related to commodity distribution.

That leads to a subject that is of great concern to the State distributing agencies: We want to concentrate on getting the donated foods to where they will be used, and not dilute our efforts in excessive paperwork.

We recognize the need for Federal regulations so that the foods will go only to those who are eligible and will be used as intended.

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We ask that guidelines be established with clear-cut criteria, without burdening the State staff with recordkeeping and monitoring that are beyond our means.

When S. 17 was introduced, it was rightfully pointed out that it is better to pay the cost of distribution of donated foods than to pay the cost of indefinite storage of surplus farm products.

There is another point to consider in regard to the cost of the food distribution program: It is a Government program in which every dollar does the work of two. The same dollar that helps to strengthen the farm economy also helps to feed people and strengthen the operation of school lunch and the programs that benefit millions of Americans.

At the same time S. 17 removes some of the major handicaps that affected the operation of the food distribution program. Over the years policy decisions have created uncertainty about the course of the program. For example, at the time of the first Soviet grain deal in the 1970's, some Federal authorities envisioned fence-to-fence crops forever, an end to surpluses, and an end to the food distribution program. We quickly learned that these predictions were unwarranted, but the effects on the food distribution program have lingered.

S. 17 does much to reaffirm that the concept of this program is sound, and it gives us the opportunity to make it work better for the farmer, the food recipients, and the taxpayers.

Thank you.

Senator DOLE. Thank you very much.

Senator Melcher.

Senator MELCHER. Mr. Stambaugh, does your association have a representation from each State?

Mr. STAMBAUGH. Yes.

Senator MELCHER. And the District?

Mr. STAMBAUGH. Yes.

Senator MELCHER. Is it clear that USDA pays the costs of surplus commodities distribution to each State; or is that just some States?

Mr. STAMBAUGH. The Federal Government makes no payments to the State distributing agencies except for a small amount of State administrative expense, which is very, very limited.

Senator MELCHER. No. I mean, does it deliver the surplus commodity to the States without cost?

Mr. STAMBAUGH. Yes.

Senator MELCHER. We've been talking a lot about dairy products this morning, and we might as well continue talking about them. Surplus cheese and butter is moved to the State; it's placed in a warehouse; and it's available to the State. Dried powdered milk could be, too, if they ever release it. This is distributed without cost to the States?

Mr. STAMBAUGH. That's correct.

Senator MELCHER. Now, what States have some problem in moving out that cheese and dried powdered milk and butter? What States have problems distributing that?

Mr. STAMBAUGH. Let me go back a little bit and review the type of distribution at the State level:

Your regular outlets in the distribution system have been established for years.

Senator MELCHER. Yes, like school lunches and the senior citizens nutrition program?

Mr. STAMBAUGH. Yes.

Most of this butter and cheese cannot be run through that same distribution system; so the States have moved to establish a distribution system that was never set up before to feed the butter and cheese to these nonprofit organizations, food banks, soup kitchens, whatever, that feed the needy people.

So in establishing that new distribution system, the States were not prepared for the costs involved in that.

Senator MELCHER. Well, let's break it down. What State are you from?

Mr. STAMBAUGH. Virginia.

Senator MELCHER. All right.

Let's break it down. If I sit in the legislature in the State of Montana, and you are sitting there for the State of Virginia, and you are talking about who's going to pay the cost, the school districts for school lunches, or the State with a separate appropriation to cover the distribution of the commodity—you're really competing between two different tax bases; are you not?

One is a school district, which is a separate tax base; and one is a State, Commonwealth, in the case of Virginia.

So, it comes to the legislature—I don't know, we've been giving a lot of money away to school districts out of State funds—what we call school foundation program, in Montana—and we're doing our best there. And that's the most urgent need. So we'll let the school district pick up some of this cost of distribution of these extra foods.

That's a type of competition you run into. The same with senior citizens centers in Montana, and I presume with other States; there is a tax base for the senior citizen centers in Montana; and I assume in most States.

So you run into that competition.

But when you come to the needy, when you come to the unemployed, and you're talking about the Salvation Army, and you're talking about the church food banks, there is no tax base there. So isn't that a little bit of a different proposition?

Mr. STAMBAUGH. Yes, it is.

Senator MELCHER. Now, why can't the States come up with that? Is there some bureaucracy built in to this system that really hinders getting food out to people who really need the nutrition?

Mr. STAMBAUGH. Well, sir, I think that it's a matter of not having these types of appropriations in the past, this type of a money need. Most of your States are strapped for funds.

Senator MELCHER. Won't you admit, that compared to the Federal Government most State treasuries look like "fat-cats?" [Laughter.]

Mr. STAMBAUGH. I wouldn't say that about Virginia.

Senator MELCHER. I understand the pressure on the States and a lot of States now are running deficits. Including many States right now who've never had deficits; but they're actually running deficits now.

But isn't there money available, if they really want to cut through the redtape and make the right pitch to the legislature?

Mr. STAMBAUGH. No, sir, I don't think the money exists there, in their budgets.

Senator MELCHER. In other words, it's easier to get it out of the CCC funds because it's off budget; and it isn't going to be shown as adding to our deficit; and so the moneys could come out of there because it won't show up as adding to the deficit, the Federal deficit?

Mr. STAMBAUGH. Well, let me just make one point here. We feel like we are moving a lot of dairy products out of storage; that storage is being paid. We moved nearly 130 million pounds of cheese during the last calendar year.

Senator MELCHER. But more cheese than that came in to Federal storage during that period of time.

Mr. STAMBAUGH. That's right.

Senator MELCHER. So there hasn't been a net gain.

Mr. STAMBAUGH. That's correct.

But if this distribution had not been used, if it had not been distributed to the needy people, the Federal Government would have paid probably close to $12 million in storage over the life of this particular cheese product.

Senator MELCHER. That's true.

If we use $52 million out of CCC stocks or section 32 funds, it isn't going to hurt my feelings; believe me.

But I wonder why we let that be an impediment when in my State, there's no problem. They got two trucks as I stated earlier, running all around the State. We have a big State. They could just as well have seven trucks if that's what it takes, or 20 trucks, if that's what it takes. And the State can well afford it, believe me.

I don't know about Virginia. But I can't understand why Virginia couldn't afford it

Mr. STAMBAUGH. We cannot, sir.

Senator MELCHER. Well, I think there's got to be a lot of give; because as I see this building up, the States are going to sit there and say, well, we'll start distributing the stuff when we get the funds out of CCC or the Department of Agriculture, either CCC or section 32 funds; we'll start distributing then.

That gives you two layers of bureaucracy. The Department of Agriculture, as you well know and can testify is hard to get unraveled and get moving. And now we're going to set up another one that's going to sit there and wait, at the State, until funds come for distribution.

And people are hungry. We won't let people starve. I don't really believe that. But I think what's happening is that inadequate nutrition for children and for elderly and for low-income families is simply, in the most basic terms, breeding health problems that will not be overcome quickly.

Mr. STAMBAUGH. Well, sir, I don't agree with you that the States are waiting until funding is provided; because, as I mentioned, we distributed 130 million pounds of cheese.

Senator MELCHER. No; I don't want you to misunderstand me, either. I'm just afraid we're setting up a second bureaucracy for the States to wait to get this distribution money to, you know, move it around the State, from the Department of Agriculture; and

there'll be a waiting game, and it will be a hindrance in moving the food to the institutions.

Mr. STAMBAUGH. I certainly would not hope so.

Senator MELCHER. I'd hope so, too.

Mr. STAMBAUGH. We'd move it to the people that it is intended for.

Senator MELCHER. I know, I'm not questioning that. I would hope that we can avoid any delays.

Thank you.

Senator DOLE. I think Senator Melcher makes a point. The State also has an opportunity here to assist—a responsibility. I saw in the New York Times yesterday how much better the States were than the Federal Government as far as deficits are concerned, even though everybody has economic problems. We're not going to let that stand in the way of passing this legislation, and I assume the States are willing to accept some of the responsibility.

Mr. STAMBAUGH. Oh, yes; I think so. Our main concern is the storage and transportation in State, the actual personnel, that sort of thing is already being provided. But there are State contributions. But we need money to move and store food in order to get it to the individuals who need it.

Senator DOLE. Have you had a chance to go over the bill carefully to see if you have any other suggestions, in addition to those in your statement?

Mr. STAMBAUGH. Yes, yes.

Senator DOLE. I might say, in the meantime, we'd like to pass it very quickly; but in the next few days, if you have any additional suggestions, we'd like to have those.

Mr. STAMBAUGH. I think the bill addresses all of our concerns. Our greatest concern, of course, is that if we're not going to be able to charge recipient agencies for delivery and storage and handling costs, we do need sufficient funds to cover that.

Senator DOLE. I think you mentioned that.

Mr. Gray, we appreciate very much not only your testimony but your assistance early on in trying to formulate this package. As you have indicated, we have tried to address the major points that you had some concerns about—that you discuss primarily with regard to section 6. Do you think we've addressed your concerns with the legislative language we have in the bill?

Mr. GRAY. I believe you have.

I notice sometimes the interpretation of legislation within the bureaucracy gets a little fuzzy. As I read it, it's clear. I think you're also—whether they say it publicly or not—I think you're doing the Department of Agriculture a favor by making your legislative intent clear as to when something falls into a bonus category. Also that USDA should enter into processing contracts. Often because of budget constraints USDA's desires have been somewhat neutralized. I think USDA might like to come out with the private sector inventory right now if they could.

But this will put it in legislation and be a mandate from Congress; and I think it's a good bill.

Senator DOLE. You pointed out in your statement, we talked about the USDA's several different facets and different responsibilities—the completion of the commodity distribution program.

That's why we hoped we could clarify some of the gray areas, so that we're not being critical of the Department—I'm not. We think we have a new policy here that should be helpful to this administration and any other administration.

Mr. GRAY. It will I think raise the priorities in the Department. Right now Lee will order cheese for his State and have to wait 60 or 75 days sometimes for delivery. And this legislation will certainly raise that priority within the Department. Because you have one part of the Department of Agriculture whose whole goal is price support and surplus removal, and they are doing their job well. But that doesn't mean that their efforts necessarily dovetail right in with the distribution needs. For example the nonfat dried milk under price support is not being instantized. Under this legislation they could set a certain percentage of the price support removal aside for instantizing and further distribution to needy families.

I think also the processed cheese, as Senator Pryor said earlier, should be removed in the form that you're going to distribute it. I think States are waiting right now for cheddar to be made into processed.

Senator HAWKINS. How long does it take?

Mr. STAMBAUGH. Usually 45 to 60 days. As a matter of fact, at this particular time, we are having difficulty in getting enough cheddar cheese.

Senator DOLE. What's the problem in the nonfat dried milk? It takes about 2 days, doesn't it?

Mr. STAMBAUGH. We are told that the plants converting this—the butter—stamping out the prints and making the processed cheese, is running at capacity. They are coming right off the production line and delivering it to the States.

Senator MELCHER. But in effect it takes about 2 days.

Mr. STAMBAUGH. Probably, yes, sir.

Senator HAWKINS. And it's 60 days before you get it.

Mr. STAMBAUGH. The leadtime from ordering to receipt in the State.

Senator HAWKINS. Is there any provision for the mobility of the U.S. population? We have in Florida a situation where people come there seasonally, and I'm wondering if the product would track them, or do we have to make application for more food when we get more people?

For instance, the unemployment in Florida was 7.9 percent in November, and that figure was publicized all over the United States; but it's now 10.9, because everybody came to Florida to get a job. And now they're in these lines for this product; and we have a lack of funds to handle such a long line of people.

Can the computer find all the people from Michigan who have gone to Florida? You know, we track that a lot. Is there any way you could track food with the people?

Mr. STAMBAUGH. Well, the responsibility for distribution of butter and cheese lies pretty much at the local level. They'll dictate the quantities they'll need to the State for ordering.

Now, as far as mobility of the citizens, I don't know how we could do that.

We're hoping everybody's being reached if possible.

Senator DOLE. Well, we appreciate your testimony very much, and we will, obviously, be in touch at the staff level to try to finalize the package.

WRITTEN QUESTIONS SUBMITTED BY SENATOR HELMS TO MR. STAMBAUGH AND ANSWERS THERETO

NATIONAL ASSOCIATION OF STATE AGENCIES
FOR FOOD DISTRIBUTION,
Richmond, Va., May 18, 1983.

HON. JESSE HELMS,
Chairman, Committee on Agriculture, Nutrition, and Forestry, U.S. Senate, Washington, D.C.

DEAR SENATOR HELMS: The following is my response to your questions to complete the hearing record on S. 17:

Question. No. 1—You noted in your written testimony that the absence of funds for paying the costs incurred by non-profit groups who distribute commodities to recipients had been a "significant impediment to the distribution of surplus dairy products".

Yet statistics from the Department of Agriculture indicate that the distribution has taken place in every State, and that the majority of cheese and butter distribution has been undertaken by non-profit groups. What evidence do you have that such groups have been impeded in the distribution of the surplus dairy products?

Answer—Attached are copies of letters, some of which were submitted with testimony on H.R. 1590, that should give you some insights into the reaction of state and local agencies. Nonprofit groups did undertake the majority of the distribution burden realizing that it was a great benefit to the community. However, in doing so, other internal programs were denied or cut back in funding. This trade-off could not go on forever at the local agency and many States could provide no monetary assistance.

INSIGHTS INTO THE FOOD DISTRIBUTION PROGRAM

Policy decisions at the Federal level

From time to time, policy decisions have prevented the Food Distribution Program from serving its dual role as fully as it was set up to do.

Congress created the Food Distribution Program in the 1930s to help deal with unsold surplus crops, inadequate farm prices, and nutritional needs of American children, by authorizing USDA to purchase such foods and donate them primarily to school lunch and to other nonprofit foods services. It is one Government program in which each dollar does the work of two: The same dollar that provides schools with nutritious foods also helps to stabilize the farm economy.

USDA makes the foods available to school lunch as "entitlement" or "bonus."

1. In what has come to be known as the "entitlement" program, USDA decides each year which commodities should be purchased for distribution and how much of each commodity to buy. Those decisions are shaped by the relative supplies and farm prices of the commodities, the needs and preferences of recipient agencies, and—above all—by the total Federal dollars committed for the purchases in that year.

Schools and other recipients often do not receive as much of the available commodities as they could use. In some cases, USDA's purchases of a commodity are not large enough to satisfy the needs of recipient agencies. Moreoever, the formulas under which USDA allocates commodities within its overall outlay put a "cap" on the total quantity of commodities that a school lunch program can obtain. This means that schools frequently have to forego available commodities because they have used up their "entitlement." Currently, school lunch programs are entitled to receive commodities at the level of 11.5 cents for each lunch—a minimum mandated by Congress which USDA treats as a maximum.

2. "Bonus" commodities are so named because they go to recipient agencies above and beyond "entitlements," some in any quantities they can use without waste. This is done to help reduce extreme surpluses. The Secretary of Agriculture is authorized to donate such surplus foods from CCC stocks, or to use CCC funds to purchase other surplus, price-supported commodities for which it does not hold title, for distribution as "bonus" commodities. Until a few years ago, this authority was exercised regularly. In FY 1978, for example, USDA distributed 18 different "bonus"

commodities. Since then the policy has changed, limiting "bonus" items almost exclusively to dairy products held in CCC inventory.

Over the years, Congress has taken action when USDA has not exercised its authority to distribute commodities at optimum levels.

In 1974, for example, USDA stopped purchasing flour and vegetable oils as a result of the initial Soviet grain deal. Some authorities took the position that Soviet purchases henceforth would eliminate surpluses, and that commodity distribution should be ended.

Congress, however, quickly passed legislation requiring USDA to resume distribution of flour, oil and shortening to school lunch programs. Congress further ordered that USDA regularly supply schools with commodities they typically had been receiving, whether or not they are in surplus, in order to maintain the viability of the distribution program. This mandate put special emphasis on supplying meats and meat alternates.

To make sure that commodities in general will be furnished to schools at meaningful levels, Congress mandated that USDA each year provide donated foods to school lunch programs at a specified minimum average value per lunch (now 11.5 cents).

Now there is a need for legislation requiring USDA to distribute as "bonus" items those commodities that are in enourmous surplus. At the same time, there is a need to fund such distribution, not only to emergency feeding programs but also to the regular recipient agencies.

How commodities are distributed

A review of distribution systems sheds light on the need to fund the distribution of "bonus" commodities.

USDA ends its distribution responsibilities by turning over commodities to a designated agency in each state. In a majority of states, that agency is part of the Education Department because by far the largest share of commodities goes to school lunch programs. In other states, the agency might be part of agriculture, general services or other departments.

Within each state, the distribution agency can choose from different types of systems for delivery of commodities to recipient agencies. The systems vary, depending on the size of the state, the relative number of very large school districts and remote districts, and the general lack of funding to pay distribution costs.

One system is to schedule USDA shipments for strategic locations in the state, and notify recipient agencies to make their own car-door pickups at specified times and places. This practice was widespread from the early days of commodity distribution, but it has given way to other systems because of inherent handicaps. Scheduled arrival times of USDA shipments are not always precise. Also, most school districts lack satisfactory vehicles for transporting frozen or refrigerated commodities.

A few states ago established their own warehouses to receive USDA shipments, and provide deliveries to recipient agencies.

Other states route USDA shipments to commercial warehouses, and either arrange delivery to recipient agencies or schedule pickups by them at the warehouses.

Currently there is a movement to the use of commercial food distributors for deliveries within a state. This change is being made especially in states which had been using car-door pickups. State agencies schedule USDA shipments to the warehouses of commercial food distributors in strategic areas of the state. Those distributors are the sources of much of the foods that school lunch programs buy commercially. For contracted fees, they store and deliver the commodities as requested by local school districts, on the same trucks that deliver the schools' purchases.

USDA has been improving its own distribution practices. When a school food service program is large enough to warrant sizable shipments, state agencies arrange, in some instances, for those shipments to go directly to that district, without any intrastate costs. But only a relative handful of school districts are large enough to qualify. Also, USDA now has set up procedures for emergency feeding programs to pick up dairy products at warehouses where USDA stores them or assembles them in various states. Those warehouses, however, are not within reasonable distance of many food banks, food pantries and soup kitchens. And USDA's warehousing practice does not include flour or other commodities which would become "bonus" items under proposed legislation.

Large quantities of commodities, particularly bonus items, are available to recipient agencies in a variety of manufactured end products under processing contracts negotiated by states with food manufacturers. The cost of these products are reduced by the value of commodities contained in a unit so that commodities can be

used more effectively by recipient agencies. These commodities are normally shipped directly to the manufacturer's plant by USDA at the request of states.

The lack of funding

When the commodity distribution program was initiated, provision was made for funding USDA shipments to the states, but not for distribution within the states. What evolved in closing that gap was a situation comparable to the experience with funding of the National School Lunch Program.

The original National School Lunch Act required that each Federal dollar appropriated for the school lunch program be matched by three dollars from sources within a state. The legislation was interpreted to allow pupil lunch payments to count as matching funds.

In the case of commodity distribution, some states appropriate varying portions of the cost of intrastate distribution. Most are not able to do so. As a result, the intrastate costs of storing and transporting the commodities generally are passed through to the recipient agencies. This is usually done on a per-case basis. Such charges can vary widely from state to state, depending mainly on the degree of distribution services provided to recipient agencies, such as storing and delivery by commercial distributors.

The several versions of legislation introduced in both houses of Congress partially address the need for funding of intrastate distribution. They specifically provide funding for distribution to emergency feeding operations. But the funding of distribution to regular recipient agencies has not been clearly defined in those bills.

Some of the bills, for example, provide for funding of intrastate distribution together with funding of distribution to emergency programs and their costs in handling the commodities, and funding of further processing contracts to be administered by USDA. But the dollar cap put on that overall funding, and the priority given to funding of emergency feeding needs and to processing contracts creates doubts as to how little, if anything, will be left for intrastate distribution to regular recipients.

Clearly, it is the intention of the proposed legislation to put our large farm surpluses to good use at a time when school lunch and other food programs are finding it very difficult to operate on reduced budgets. If adequate funding is not provided for intrastate distribution to regular recipient agencies, the availability of "bonus" commodities will not be as much help as envisioned.

The states at this time are in no position to appropriate funds for this distribution. Budgets in almost every state are being sharply curtailed.

What is needed in the proposed commodity legislation is a commitment to pay each state an amount equal to the costs of distributing within the state the commodities to be provided under the new legislation.

Some versions of the proposed commodity legislation specify a formula for paying the costs of intrastate distribution. One version specifies up to 5 percent of the commodities' value. Another version specifies up to 5 cents per pound. The latter is preferable because it is more realistic in relation to the weights and values of flour and othe commodities that would be declared "bonus."

Included in some versions of the proposed legislation is a clause that unintentionally could bring distribution to a standstill. That clause forbids the charging of recipient agencies for any costs of distribution. But if, for any reason, the proposed commodity legislation does not result in full funding of the intrastate distribution of the "bonus" commodities, the distribution could not continue unless recipient agencies paid the distribution costs. That clause should be eliminated from the new commodity legislation to prevent any possible breakdown in distribution.

Administration

The proposed legislation rightfully calls for a minimum of paperwork in connection with the distribution of commodities it would made available as "bonus," particularly in the case of emergency feeding operations.

At the same time, it is necessary to specify exactly the kinds of costs of those operations that would be funded by the new legislation. We want to expedite the distribution of these commodities. But at the same time we are all too familiar with past patterns of urgently needed new procedures: First there is the encouragement to proceed quickly, under vague guidelines. Later comes an audit, by the Food and Nutrition Service, by the Office of USDA's Inspector General, or the General Accounting Office, which retrospectively finds fault with the way actions are taken for which the guidelines were inadequate. Putting specifics into the legislation will eliminate guesswork and unintentional straying into what later will be called faulty administration.

Staffing

In one hearing on proposed legislation, a question was raised about the possible creation of a bureacracy to administer the distribution of new "bonus" commodities. We fail to see how this could happen.

The existing commodity distribution program is handled in most states with a very small staff in regard to the volume of commodities it administers. In Virginia, for example, a staff of 11 is responsible for all activities in the distribution of commodities to 2,000 sites. In Arkansas, a staff of three serves 543 regular recipient agencies. Most state agencies also administer and monitor statewide processing contracts, and have worked creatively to put dairy products into the hands of emergency feeding operations in the absence up to now of funding for that purpose.

The proposed legislation will add to the workload of state distribution staffs. Any increase in staffing to handle the additional workload will be rare, and minimal. Nearly all states have imposed statewide hiring freezes, which apply even if such positions would be Federally funded.

The state agencies welcome the improvements in commodity distribution that the new legislation would bring about.

THE CITY OF NEW YORK,
OFFICE OF THE COMPTROLLER, MUNICIPAL BUILDING,
New York, N.Y., March 16, 1983.

Mr. E. LEE STAMBAUGH, *President,*
National Association, State Agencies for Food Distribution, P.O. Box 1163, Richmond, Va.

DEAR MR. STAMBAUGH: My recent study of the Federal Dairy Surplus Program reported that, shockingly, the Federal government maintains a 2.4 billion pound stockpile of cheese, butter and milk. Tragically, especially at a time of increasing human need, some of this food is turning to rot.

The Federal government will spend some $2.2 billion this year to purchase surplus dairy products. Financing and storage charges alone add an additional $1 million to the cost each day. Ironically, the cost of this program nearly equals Federal budgetary cuts for Food Stamps, Medicaid and Aid to Dependent Children combined.

I have written to the President, the Secretary of Agriculture and members of Congress to urge that they revise the Dairy Surplus Program to assure that the foodstuffs involved are made available to those in need during a period of high unemployment and reduced government assistance. Specifically, I have called on the Federal government to make at least 280 million pounds of dry milk, 220 million pounds of cheese and 50 million pounds of butter available immediately for distribution to the needy. I have also asked the President to provide modest help to states and local organizations for the distribution of this food.

While I have received replies from many members of Congress agreeing with my program, the President and the Secretary of Agriculture have not yet agreed to act. To end this national scandal we will need to mobilize all those who are repelled by the image of surplus food rotting in storehouses while Americans starve. Hence, I urge that you write the President, Secretary of Agriculture John Block, the Chairmen of the Senate and House Agriculture Committees, Senator Jesse Helms and Representative E. de la Garza, Senators Moynihan and D'Amato and your Congressional Representative. Hopefully, a massive community reaction will impel our leaders in Washington to act.

I thought you might be interested in seeing my own letter to the President, as well as my report, and am enclosing copies of both herewith.

Every good wish.

Sincerely,

HARRISON J. GOLDIN.

THE CITY OF NEW YORK,
OFFICE OF THE COMPTROLLER,
New York, N.Y., September 1, 1982.

Hon. RONALD REAGAN,
The White House,
1600 Pennsylvania Avenue,
Washington, D.C.

DEAR PRESIDENT REAGAN: At a time of increasing human needs, it is disturbing that part of the Federal government's two billion pound stockpile of cheese, butter and milk has been in storage for so long that it is turning to rot.

Just this year, the Federal government will spend about $2.2 billion to purchase surplus dairy products. Each day, financing and storage expenses alone add an addi-

tional $1 million to the cost of the program. Ironically, the cost of this program nearly equals the Federal budgetary cuts next year for Food Stamps, Medicaid and Aid to Dependent Children combined.

While some efforts have been made to distribute surplus food, for every pound of dairy products which the Federal government has given away, three pounds remain in storage. To avoid waste and meet the needs of the unemployed and poor, I urge that you increase the rate at which the Federal government is distributing surplus cheese and butter. I also request that you make at least 280 million pounds of dry milk available immediately for distribution to the poor and others in need.

Expansion of the dairy distribution program will be possible only if the Federal government provides modest funding to the states to cover their costs of transportation and distribution. Such funds could easily be provided by requiring the Commodity Credit Corporation to put one penny into a special fund for every dollar it pays to buy agricultural products. This would generate sufficient funds to give the states about four cents in expense money for every pound of food they distribute. This could make the difference between participating in the program and foregoing the opportunity to help those in need.

I am enclosing a copy of my report on this matter. I hope that you will move quickly to avoid the possibility of large quantities of food going to waste at a time of great need.

Sincerely,

HARRISON J. GOLDIN.

EASTERN IDAHO SPECIAL SERVICES AGENCY,
Idaho Falls, Idaho, March 16, 1983.

Hon. GEORGE HANSEN,
Longworth House Office Building,
Washington, D.C.

DEAR CONGRESSMAN HANSEN: I am writing to urge your support for H.R. 1590 relating to the distribution of surplus commodities.

As the Agency responsible for the distribution in nine Eastern Idaho Counties, the current system places us in a very difficult position. We are a private non-profit organization working under grants and contracts which restrict the uses to which funds can be assigned. Under the old Economic Opportunity Act, our local board had great flexibility in the determination of local needs. Current practice has taken options out of their hands and placed them in Boise or Washington, D.C.

We admire and support the Presidents initiative to reduce the quantities of stored commodities by distributing them to people in need. However, no provision has been made to pay for local storage and distribution costs. The capacity to meet those costs is either limited or non-existant in an Agency such as ours.

Our staff is both willing and anxious to assist in this important effort. We do not ask that the staff time investment be covered. Most of the work will be done by volunteers. But, we respectfully request your support for the provision of basic overhead expense reimbursement to the Agencies charged with the distribution of cheese, butter, and such other commodities as may be added to the list.

Sincerely yours,

JACK T. VIGGERS,
Executive Director.

MISSOURI DEPARTMENT OF SOCIAL SERVICES,
DIVISION OF FAMILY SERVICES,
Jefferson City, March 15, 1983.

Hon. Thomas F. Eagleton,
U.S. Senate, Dirksen Senate Office Building,
Washington, D.C.

Hon. John C. Danforth,
U.S. Senate, Russell Office Building,
Washington, D.C.

DEAR SENATOR EAGLETON: We have reviewed and evaluated Senate Bill #17 and House Bill #1300. It is believed both bills are very broad and do not define Needy Family Distribution Program needs which per se are basically what the current dairy commodities distribution program by Presidential directive is.

Since the Senate Committee has eliminated mandatory language, our primary concern at this time is that it be restored, whereby the Secretary be mandated to provide funding and additional types of commodities for needy family distribution. The Secretary already has this option or discretion under current laws but has failed to exercise it.

It is believed states under the current dairy items distribution program have established distribution networks and could, with adequate funding, distribute considerably more dairy surplus items as well as other items that may be in surplus, dependent upon USDA's ability to process and provide such items on a timely basis. One of USDA's current problems is processing what they have in storage into a needy family package size for distribution.

Making surplus commodities available as bonus items for charitable institution program and broadening the scope of that program per se presents no problem since it is an established on-going program. The provision of providing commodities to all recipient groups at no charge does present a problem as most states, as well as Missouri, have an established per-unit charge system. Should this item remain, then State Administrative Expense (SAE) funding needs to be resolved as the funds are made available to those agencies administering the National School Lunch Program and not to agencies administering non-school programs, such as charitable institutions, residential child care institutions, summer camps and nutritional programs for the elderly. In Missouri this is a problem since the Department of Elementary and Secondary Education administers the school-lunch program and the Department of Social Services, Division of Family Services, administers all non-school programs.

It is further believed that some type of formula needs to be developed to assure that funds are equitably distributed to state agencies for needy family distribution. While both bills did or still provide this, it is not considered equitable. It is believed that funding would be more equitable if based on states' per capita income, poverty index, unemployment rate, etc., rather than a percentage of entitlements and bonus commodities. It appears that perhaps Operating Expense Funds (OEF) which USDA already has but only is currently available for Indian Reservation Needy Family Distribution Program may be more equitable.

One of our other primary concerns is that neither bill defines eligibility requirements other than the Secretary shall keep them at a minimum. This is very broad as what is considered a minimum by USDA may not be to us and other states. Any detailed eligibility requirements would be burdensome and costly. For uniformity and program integrity purposes, we would suggest unemployed, handicapped, 60 and over, and poverty guidelines might be used.

We believe there is considerable need for direct distribution of surplus commodities to needy persons and/or families but our ability to do so is greatly impaired without adequate funds for storage, delivery and distribution purposes.

We appreciate the efforts you and other Missouri members of Congress are making to rectify program inequities. We urge your and others continued support to assure the final outcome of this legislation is one we and other states can live with.

Very truly yours,

PAUL C. SPICER, *Supervisor,*
Food Programs Issuance.

Question No. 2—Do you have any information on what has been the cost per pound to the State and volunteer organizations that have thusfar distributed the surplus dairy commodities?

Answer—The cost per pound for distribution varies considerably with the mode of distribution. As you can see from the letters attached, some local agencies incurred costs from 1¢ to 10¢ per pound. A survey of our member State Distributing Agencies resulted in an estimate of 6.4¢ per pound. Since no funding was available to reimburse costs, few statistics exist on actual cost because the subject was avoided.

Question No. 3— Do you regard the commodity distribution program under S. 17 as temporary assistance, or the beginning of another Federal feeding program?

Answer—Well over half the States assess a State level charge against schools either wholly or partially covering distribution costs. Many others do not assess a State level charge, but allow commercial firms handling the storage and delivery of donated foods to bill the schools for services simply because State funds do not exist to pay these costs. Distribution systems intrastate vary from recipient agency pick-up from an incoming carrier of donated foods arranged by USDA to actual delivery of the foods to the door of the school. Almost in all cases, schools incur expenses in getting donated foods (bonus as well as entitlement foods) to their storerooms. Statistics are very sketchy on the total cost to schools from the central receiving point in a State to the school storeroom because the components of costs have not been identified. For example, few schools specifically identify the cost of their maintenance truck and labor of a janitor to go and pick up the foods.

Several states, including Virginia, have initiated a complete distribution system to the school door by integrating delivery of donated foods with commercial foods by a

Distributor. These costs range from $1.00 to $1.45 per case which is extremely efficient and service-oriented. However, this charge is billed directly to and paid by the school.

Several states, such as Colorado and Louisiana, appropriate State monies to cover distribution costs; others appropriate State and administrative costs only (does not include physical distribution costs); and still others have no state appropriations and operate totally on charges to recipient agencies. You can call almost any State and will find at least some costs of distribution paid by the school.

I hope this adequately responds to your questions. Please call me if I can be of further assistance.

Sincerely,

E. LEE STAMBAUGH,
President, NASAFD.

Senator DOLE. We have one additional witness, Ms. McMurtrie, who will tell us about how her soup kitchen works.

STATEMENT OF MRS. SANDRA McMURTRIE, MISSION OF CHARITY SOUP KITCHEN, WASHINGTON, D.C.

Ms. MCMURTRIE. Thank you.

Senator DOLE. You're not a scheduled witness but I thought I might take advantage of your presence. I know we had Senator Pryor mention a soup kitchen in Little Rock; maybe you can tell us about your operation?

Ms. MCMURTRIE. I work on a regular basis in the soup kitchen in Anacostia run by Mission for Charity. And I was thinking as you were talking about the food, every Friday we go down to Florida Avenue and we are recipients of the leftover produce.

And that's mainly what we feed to people. We feed over 100 people a day in our soup kitchen.

And we get heads of lettuce, this big (indicating) and maybe out of one head, we get this much (indicating) we can use.

And we depend on private people, private sources.

We were the recipients of some cheese. It came through Catholic Charities.

But when our people leave we try to give them something to take home with them. The cheese really isn't enough. They need everything. And we very seldom have anything to give them.

It's mind-boggling that all these forms of help to these people are being cut, when we are getting more and more people over the last 6 months. We have maybe 50, 60 percent more than we had before.

Senator DOLE. Do you feed 5 days a week?

Ms. MCMURTRIE. We're open 6 days a week. The Missionaries of Charity take Thursday as a day of recollection; and they don't work on Thursdays.

And we give clothing away. And we give food away. Sometimes we have bread, sometimes we don't. Sometimes the piece of bread is a hotdog roll someone has brought in. We get grocery bags filled with that; we get those.

And we make soup. For most of them, it's the only meal they have every day.

Senator DOLE. That's what we were trying to determine, and that's the reason I asked you to volunteer to say something. We hope we've tailored this legislation so that it will help soup kitchens and help programs like the one you're involved in. If we haven't, then we need to go back and take another look.

Ms. McMURTRIE. The individual packets, that's a great thing—of course, our people don't have blenders. But they can't take this food that isn't instantized. They can't do much with it. So they really need individual things that they can work with in their own housing developments, in their kitchens, in real life, what they have; how they have to do this.

Senator DOLE. Well, we appreciate that.

Senator Melcher, do you have any questions?

Senator MELCHER. Your soup kitchen is in the District. Have you had any actual distribution of commodities directly to you for use?

Ms. McMURTRIE. Cheese.

Senator MELCHER. The cheese itself.

Ms. McMURTRIE. No milk, no butter.

Senator MELCHER. You could use some milk in cooking?

Ms. McMURTRIE. Yes.

Senator MELCHER. How long have you had the soup kitchen; how long have the sisters had it?

Ms. McMURTRIE. Two summers ago, it'll be 2 years this June that they arrived here.

Senator MELCHER. You've had a very limited amount of any of the dairy products—just cheese?

Ms. McMURTRIE. Yes.

Senator MELCHER. You could use it 6 days a week?

Ms. McMURTRIE. Yes.

Senator MELCHER. And that would save the Government some money, and help some people?

Ms. McMURTRIE. Yes.

Senator MELCHER. Thank you.

Senator DOLE. Paula?

Senator HAWKINS. How was your cheese packaged?

Ms. McMURTRIE. It was in a brick, like that (indicating).

Senator HAWKINS. A 5-pound block.

Senator MELCHER. You'd have no problem with a 50-pound roll of cheddar, would you?

Ms. McMURTRIE. Oh, no!

Senator MELCHER. Or a 50-pound bag of dried milk?

Senator HAWKINS. Thank you.

Senator DOLE. Well, thank you very much. We appreciate hearing from you on this spontaneous basis—it was a nice way to conclude this hearing.

I might say to others who would like to submit written statements that the hearing record will remain open if there are others who would like to participate. I think everyone would agree that if we're going to make this program work, we need to move it very quickly. In the course of the legislative process, some things tend to get ahead of others—like social security and other very important issues.

So if we can pass this legislation in this relatively slack time—perhaps next week, we should try to do this. I think one thing that's holding us up is that Senator Helms is trying to get us together so we can organize the committee; then we can report the bill out of subcommittee to the full committee level, and proceed to have it marked up and reported out.

Thank you very much.

[Whereupon, at 12:05 p.m., the subcommittee adjourned, subject to call of the Chair.]

APPENDIX

STATEMENT OF HON. BOB DOLE
A U.S. SENATOR FROM KANSAS

First of all, I would like to welcome all of you here this morning, especially those who came from long distances--your adventurous spirit is to be commended in the aftermath of Friday's history-making snowstorm. Today we are here to listen to testimony on S. 17, the "Domestic Commodity Distribution and Food Assistance Act of 1983." We will be hearing from representatives of various interests who are affected by this legislation. We will be hearing from commodity groups, recipient agencies, processors and state distributing agencies. I would like to thank the cosponsors of S. 17, Senators Danforth, Leahy, Domenici, Moynihan, Boschwitz, Levin, Hatfield, Dixon, Jepsen, Riegle, Andrews, Huddleston, Wilson, Pryor, and Chafee, for their active participation in this bipartisan effort.

S. 17 was introduced on the first day of the 98th Congress, because I thought it was a matter of some urgency that it be put on a fast legislative track in order to get it passed and signed into law so that we would be able to help low income peole who are suffering from the extreme effects of this recession. Despite the current nutrition program structure, there continue to be certain individuals and families who are not being reached or satisfied by the benefits of these programs, and it seemed that some kind of supplemental effort was necessary.

This legislation was inspired by an active concern that became even more focused when I saw a TV special and read a Sunday New York Times magazine article on hunger in America. It seems incomprehensible to most Americans that, in this land of great agricultural abundance, there could actually be people suffering from hunger and malnutrition at a time when agricultural surpluses are overloading our capacity to store them through the Commodity Credit Corporation.

This senator believes that there has to be a practical way to link these two components and to provide a juxtaposition between the need for food on the one hand, and the existing surpluses of agricultural commodities. S. 17 is intended to be a common sense approach which would make surplus commodities available to eligible recipient agencies like food banks, soup kitchens, churches, and other nonprofit, charitable organizations who serve the increasing numbers of needy people in our society, who have been unusually hard hit by the current economic recession. It made little sense to this senator that we were paying millions of dollars to store these agricultural surpluses, when this money could be better spent distributing them to needy recipients and processing these commodities into usable food products.

For the first time, this legislation will provide administrative funding to help carry out this goal, and part of the cost will be defrayed by transferring funds that now pay for storage into funding for distribution and processing. According to USDA estimates, it is expected that about $1.043 billion worth of commodities will be utilized under this program. In addition to dairy products which comprise about 90 percent of the CCC stocks, this legislation would expand the category of bonus commodities to include wheat, rice, corn, soybeans, and any other products the Secretary declares to be in surplus. Section 32 seasonal commodities would also be made available, similarly to the way they are utilized under the current school lunch program. Further, the Secretary of Agriculture would be required to inform state agencies as to the availability of commodities on a regular basis, so that they can plan accordingly based on local need.

It is my hope that we will be able to speed this bill through the committee process, so that it will be able to be considered by the full senate sometime this week. This type of relief program should be enacted as expeditiously as possible so that it can be utilized to assist those who need food today. I look forward to hearing what our witnesses will say about the impact and effectiveness of this legislation, and thank you for your willingness to participate in these hearings today.

STATEMENT OF HON. WALTER D. HUDDLESTON
A U.S. SENATOR FROM KENTUCKY

Mr. Chairman, I look forward to working with you to meet the many challenges that will confront us in the 98th Congress.

Not the least of those challenges is determining the legislative means by which we can do everything that is possible to provide food and other humanitarian aid to jobless workers and other citizens in need.

I commend you, Mr. Chairman, for taking a good first step in this Congress by introducing S. 17, the Domestic Commodity Distribution and Food Assistance Act. Today's hearing will give us the opportunity to hear the opinion of groups that would be involved in carrying out this legislation.

S. 17 is designed to use our surplus agricultural commodities to the fullest extent possible and to improve the domestic distribution of the surplus and price-supported commodities. The bill would make available all government-owned food commodities such as dairy products, rice, soybeans, and honey, at no cost, to eligible state and local agencies through the Commodity Credit Corporation.

In addition, the bill would provide administrative money to assist states in the distribution of the commodities and provide administrative money to food banks and other nonprofit organizations to help with the distribution, transportation, processing, and storage of donated commodities.

It would be contrary to our nation's history if we let people go hungry while warehouses are bulging with government-owned commodities.

I believe that farmers and taxpayers--as well as the needy--can be winners in this instance, and I am encouraged by the legislation that has thus far been introduced. Using our abundant supplies to help needy people is far preferable to simply storing the commodities in government warehouses. Moveover, millions of dollars in storage costs would be saved.

I look forward to the comments of today's witnesses.

STATEMENT OF HON. PAULA HAWKINS
A U.S. SENATOR FROM FLORIDA

Mr. Chairman, you are to be commended for introducing and holding hearings on S. 17, the Domestic Commodity Distribution and Food Assistance Act. In these difficult times, when many Americans go hungry while the Federal government purchases and stores billions of dollars of surplus agricultural commodities, I believe it to be most timely to consider legislation which may alleviate both problems. S. 17 would require the Secretary of Agriculture to distribute free to eligible recipient agencies, surplus agricultural commodities owned by the Commodity Credit Corporation. It requires the Secretary to pay for initial processing of these raw products in order for recipients to receive surplus commodities in a usable form, for example, flour which has been processed from raw wheat.

I am most interested in this approach, Mr. Chairman, and look forward to learing more about it today.

STATEMENT OF HON. DAVID PRYOR
A U.S. SENATOR FROM ARKANSAS

Mr. Chairman, I am pleased that you have called this hearing to examine ways to distribute surplus commodities to churches, food banks, and other nonprofit institutions, as well as state and local governments. Your legislation, S. 17, is an excellent approach to the problem of hunger and food distribution by the federal government.

Several provisions of your bill deserve special comment and praise because they will improve existing law and make our distribution programs more effective. First, I am glad your bill expands the list of eligible recipients who can receive government-owned commodities. Food banks and churches have been very active in food distribution, and by including them in the list of recipients, they will take an even more active role in food distribution. Second, expanding the list of bonus commodities will be helpful. We have an oversupply of commodities other than just dairy products, so it is wise to include wheat, rice,

corn and other surplus commodities in the program. Third, the annual report by the Secretary under your bill will be extremely helpful to the agencies involved and will give them a good idea of what commodities will be available. Finally, the administrative funding included in your bill will ensure that the surplus commodities are actually delivered to those in need, and that the resources of the nonprofit institutions are not depleted in trying to provide the aid to the needy.

I believe your proposal and other initiatives are urgently needed at this time. In that regard I want to mention a bill, S. 451, that I recently introduced and which would provide $50 million for an emergency food and shelter program for our nation's homeless. As you will recall, both the Senate and House of Representatives approved a similar program which was included in the Continuing Resolution passed just last December. Unfortunately, the provision was dropped by the Conference Committee.

This emergency program is needed now more than ever. Across our country we see people without resources available to them other than emergency shelters and soup kitchens, and in some cases, only heating grates, abandoned buildings, and cars for warmth and shelter. This proposal, cosponsored by Senator Arlen Specter, would provide $50 million to be distributed through charitable and religious organizations to meet emergency food and shelter needs. I believe that the situation is such that we must act without delay. Mr. Chairman, I would ask that the text of my statement upon introduction of S. 451 and the text of the bill be included in the hearing record following my remarks.

Again, Mr. Chairman, I commend you for holding this hearing. I look forward to hearing the testimony of the witnesses and the prompt consideration of legislation to meet the critical food needs of people of this country.

FLOOR STATEMENT OF SENATOR DAVID PRYOR, REGARDING S. 451

MR. PRYOR: Mr. President, today I am joined by my colleague Senator Specter in introducing a bill which would provide $50 million for an emergency food and shelter program for our nation's homeless. Both the Senate and the House of Representatives approved a similar program which was included in the Continuing Resolution passed during the last session, regrettably only to be dropped by the Conference Committee.

Our economic situation has not changed in these last few weeks since our previous passage of this needed emergency program. In fact, with the onset of brutal winter conditions and continuing unemployment, this emergency program is needed now more than ever. Across our country we see people without resouces available to them other than emergency shelters and soup kitchens, and in some cases nothing more than heating grates and care for warmth and shelter.

Mr. President, we now have more than 5 million people who are drawing unemployment, which is an increase of 75 percent over a year ago. Another 2 million people have exhaused all entitlement

to benefits over the past year. In addition, the number of people who live below the poverty line has increased during the past two years. And because the public and voluntary agencies lack the resources to meet growing demands for emergency services, people have had to turn to the streets and abandoned buildings.

Although exact numbers are impossible to compile, experts have estimated that there are between 250,000 and one million homeless in the United States today, which is one-and-a-half to two times as many people on the streets as there were a year ago. There has thus been an explosion of homeless people, with the population no longer restricted to so-called "street people." Those now needing assistance include the elderly, the indigent, battered women, runaways, those affected by recent weather catastrophes, and the "new poor." The "new poor" are those who now find themselves unemployed for the first time, unable to retain their homes, and victims of cutbacks in Federal and State assistance.

The increased numbers of citizens seeking emergency food and shelter can be traced to many reasons:

-- Not enough jobs. It is estimated that we have a record number of unemployed, 12 million people (which includes those no longer receiving benefits).

-- Urban renewal projects which have displaced many families.

-- Reduced federal benefits in social services such as Medicare, Social Security Disability, and nutrition programs.

-- High heating costs.

-- Difficulty of communities to provide adequate shelter for the increased numbers of needy.

We often find a catch-22 factor at work. The unemployed cannot find jobs; and the welfare laws do not permit able-bodied people to receive assistance. On the other hand, many disabled people cannot hold a job, and yet have their benefits terminated also. More than 158,000 persons have been taken off disability rolls in a stepped-up review process that began over a year ago. The problems, Mr. President, simply feed on each other: A lack of funds going to emergency services, a lack of jobs, and a tragic insufficiency of purlic housing.

I have long been impressed by the dedication of the professionals and volunteers who valiantly work in agencies providing relief and assistance. They have performed invaluable services on extremely limited budgets and with decreasing resources.

But they cannot continue to carry out this burden on the meager funds not provided them. This proposal would appropriate $50 million to the Federal Emergency Management Agency and then distribute this amount to the United Way of America. This distribu-

tion would take place within 30 days of enactment of this legislation.

In addition to the United Way, a special board would be made up of members from the Salvation Army, the Council of Churches, the National Conference of Catholic Charities, the Council of Jewish Federations, and others.

The $50 million is not to be used as a substitute for existing public or private resources. If the voluntary organizations providing emergency food and shelter should find it necessary in some circumstances to provide payments to the needy persons to enable them to secure food or shelter, there should not be any reduction in State, Federal, or local assistance programs to these people.

Mr. President, we simply have a crisis situation in our nation and we cannot turn our backs on those who are in desparate need. These funds are to help those who are without food and homes, those who have no other place to turn. We must not fail to come to the aid of our fellow men and women. George Bernard Shaw said, "The worst sin toward our fellow creatures is not to hate them, but to be indifferent to them. That is the essence of inhumanity." Let us not be indifferent to those who so desperately need our assistance at this time.

Mr. President, I hope both Houses of Congress will act expeditiously to put this program into effect.

STATEMENT OF HON. ROGER JEPSEN
A U.S. SENATOR FROM IOWA

I am very pleased to have joined Senator Dole and other colleagues in supporting S. 17, the Domestic Commodity Distribution and Food Assistance Act.

As Senator Dole pointed out, the thrust of this legislation is to put more surplus farm commodities on the plates of those in genuine need of food.

This great nation of ours is a land of plenty. But at the same time, in the midst of this, there are those who are going hungry. This should not be occurring.

This legislation is designed to divert our surplus commodities to those in need--to those suffering from hunger. It will help hasten a return to what agriculture is all about...that farmers should grow food "for the stomach--not for storage."

These surpluses will be given to food banks, churches, and other organizations already providing some food to low-income and unemployed persons.

This legislation would permit an expansion of this effort since the current law only applies to dairy products.

We are in difficult times. Farmers face awesome surpluses and corresponding low prices. We need to supplement nutrition programs already on the books. This legislation will fill the gap, assuring that those in need receive food assistance.

This bill is a "common sense" piece of legislation. We have surpluses we need to get rid of and people in need of a better diet.

STATEMENT OF HON. PETE V. DOMENICI
A U.S. SENATOR FROM NEW MEXICO

Mr. Chairman, I am pleased to be a cosponsor of S. 17, the Domestic Commodity Distribution and Food Assistance Act.

It has become obvious to me that today in America a need for food for the needy is being met in part by private charitable and religious groups. This need could be described as one that is occurring to people who for various reasons are not being protected by the safety net of federal nutritional care and other programs specifically aimed at the needy.

That some of these people should be going hungry while huge government-owned surpluses of farm commodities exist cannot be rationalized in any way, especially when our farmers are in deep economic trouble in large part because of the existence of these surpluses.

Under this bill, the Secretary of the Agriculture will give surplus commodities to eligible domestic agencies when there is a surplus. They will be given to food banks, churches, and other organizations that provide food to low income people. Schools, nutrition programs for the elderly, child care food programs, and others would continue to be eligible for the free bonus commodities.

The bill also addresses the issues that have come up with regard to the distribution of surplus cheese. For the first time, it would provide some administrative money to assist states in the distribution of the commodities. It also provides money for the food banks, churches, and other organizations to help with the distribution, transportation, processing and storage of donated commodities.

This legislation has my full support and I hope the Congress sees fit to move on this badly needed legislation as soon as possible. This legislation will help the needy while at the same time help our farm community by clearing up the huge surpluses which continue to force farm prices down to levels that threaten the survival of the American Family Farm.

STATEMENT OF JAMES MILLER, ASSISTANT LEGISLATIVE DIRECTOR, NATIONAL GRANGE

Dear Chairman Dole:

The National Grange is America's oldest active farm organization with over 425,000 members in 41 states. The Grange thanks you for holding these hearings, and we are pleased to have the opportunity to present our views on S.17, the Domestic Commodity Distribution and Food Assistance Act.

The National Grange represents family ranchers and farmers, creating the most efficient form of agriculture production the world has ever known. This productivity enables the American farmer to produce food and fiber for export as well as to meet the needs of our country. Our organization has always maintained that American agriculture can and should produce at its capacity to enjoy efficient scales of economy. In the past few years, we have produced such abundant supplies that many observers have come to believe that America has too many farmers and ranchers. Carryover stocks of corn, wheat, cotton, and dairy products--as well as other feed grains--are so high that our problem has come to be this: how can goverment stocks be reduced to meet current demands?

Ladies and Gentlemen, we must never come to believe that there is too much food in the world. There are countries in the world where starvation is a common occurrence. The Grange is aware of the problems of starvation in the world, our policies have encouraged U.S. programs of food assistance. The Grange is likewise aware that in this nation of ours, the basic needs of food, clothing and shelter are not being adequately met. All too often we picture hunger and starvation as problems of third world nations. This problem can be found much closer to home; in this city, in all other major population centers, and in many rural areas throughout our country.

The National Grange commends you, Senator Dole, for recognizing that we must come to grips with the seemingly contradictory problems of too much food and too many hungry. It must be stated from the outset that commodity distribution programs will not solve the current imbalance of supply and demand that is causing the build-up of reserve commodity stocks in America. When economic vitality returns to our economy and to the economy world-wide, this supply imbalance will largely disappear. In the interim, the Grange is supporting the payment-in-kind program as a means to reduce stocks and planted acreage.

The Grange has historically supported commodity distribution programs as a means of achieving balanced diets for America's needy. Since the 1930's, the government has played an active role in the purchase and distribution of commodities making these programs vital to the health of the deserving, and as an integral component of our national food and agricultural policies. We endorse the federal government's role in commodity distribution

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programs such as elderly feeding, school lunch and breakfast, and meeting the needs of women, infants and children. In this regard, we view S.17 as a proper role of government activity, and we are pleased to offer our support for this legislation.

Year to year fluctuations in agricultural production make it impossible to plan and produce the exact amount of food needed for domestic and foreign markets. We cannot avoid periods of surplus and shortage. It is for this reason that farm programs have incorporated the concept of reserves. Government purchases in most years account for only a very small portion of crops, but that portion is significant to easing the surplus effects on commodity prices. The Grange believes that commodity distribution programs must also be seen as vital to our overall food production policies. As there will be costs associated with the purchase of surplus commodities, there will also be costs to an effective program of food distribution to the needy. There are costs that, although significant, must be paid to assure proper program operation.

The Grange believes that the estimated costs of this legislation are within the means of this country's ability to pay. We believe that the bill will result in significant dividends in the form of reduced public health costs resulting from poor diets, retention of the productivity of our nation's idled workers, and through an expanded awareness of the value of a balanced diet that will result in eventual increased purchases of dairy foods, grain products, and meat. We do not believe that the program will displace retail purchases of foodstuffs: the bill aims to feed those who lack the means to purchase what it takes to stay healthy.

The true strength of this legislation lies in the fact that at last, a commodity distribution program would be distributing that commodity in a useable form such as wheat flour and other processed food, it will result in decreased costs to feeding programs and will enable processors to utilize excess capacity. We endorse the bill's provisions that would provide CCC assistance for transportation, distribution and storage, and by expanding the definition of "bonus commodities," we feel that it will result in a better quality and variety of meal donations.

The National Grange is pleased to offer our endorsement to this proposal. We feel that it is a straightforward approach to the problems at hand. It is a well-balanced distribution program that will at last make a portion of our national agricultural bounty available to the institutions that attempt to feed the needy and deserving.

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STATEMENT OF E. LEE STAMBAUGH, PRESIDENT, NATIONAL ASSOCIATION OF STATE AGENCIES FOR FOOD DISTRIBUTION

Mr. Chairman, our people in the state distributing agencies welcome this opportunity to comment on S-17, and to offer insights into the needs that the Bill addresses.

It's a Bill whose time has come. It provides the means to solve immediate problems in furnishing foods to the unemployed and others who might go hungry. And it finally fills some basic gaps in the Food Distribution Program so that it can operate in the way that it was conceived.

Ever since the Depression years, the program has served a dual purpose, based on this fact; in agriculture, there is no such thing as a "normal year" in which production of all of our foods precisely meets the needs of the market, no more and no less.

On the one hand the Food Distribution Program helps to deal with the ups and downs of agriculture production -- the ups of surplus harvest and the downs of prices that don't cover farmer cost. At the same time, it puts excess food supplies to good use by donating foods acquired by USDA to school lunch programs and other agencies. Surely this makes more sense than allowing crops to rot in the fields or in warehouses, or returning to the days when desperate farmers and ranchers destroyed livestock and crops for which there were no markets.

Our state distributing agencies serve as the link between USDA and the recipient agencies -- the School Lunch Program, nutrition programs for the elderly, child care centers, charitable institutions, the Commodity Supplemental Feeding Program for mothers and young children, the summer feeding program for children of low-income families, the Needy Family Program on Indian Reservations, disaster relief organizations, and others. We know their needs, and sometimes are frustrated by situations that restrict the functions of the Food Distribution Program.

One of the biggest frustrations is the lack of a clear-cut policy on those foods that are in enormous surplus. Ordinarily, the foods acquired and donated by USDA are allocated to recipient agencies under formulas that put limits on the quantities they receive. For crops which are in enormous surplus, there is a pattern of allowing the recipient agencies to request unlimited quantities of such foods, known as "bonus commodities", so long as they can put them to use without waste. But that pattern is erratic and at times it is difficult to understand.

Take the current case of America's wheat stockpiles. At a time when wheat supplies are a burden to the farmers and the federal government, the donation of flour by USDA to the school lunch program and other recipient agencies is still restricted to routine quantities. School Lunch Programs especially have requested the flour be given the status of a "bonus commodity" so that they can make greater use of it. A survey among our state distributing agencies shows that substantial quantities of wheat flour can be readily put to use if schools will be allowed to have it without restriction on quantities.

The same is true of other commodities that have piled up beyond the ability of traditional markets to absorb them in today's economy. This has been a problem from time to time in the past, too, because of the on-and-off discretionary authority to release such commodities for distribution without restriction on quantities.

S-17 establishes the framework and mechanism for dealing with that problem in an orderly way.

A second major handicap for the Food Distribution Program is the lack of funds to get the donated foods to the recipient agency. While USDA pays the cost of turning the crops into usable foods, it does not provide funds for the last step of the procedure -- putting the foods in the hands of hundreds, even thousands, of schools and other recipients of each state. As a result, each state must try to fill that gap. It isn't easy because most states simply cannot appropriate the necessary funds.

Each state distributing agency has developed its own system for delivering to remote as well as urban recipient agencies. Some states, in less lean years, were able to establish warehouses to receive the donated foods from USDA, and provide service in storing and distributing them. In some other states, distribution was set up in a very basic way; carload shipments by USDA directed to designated rail sidings, with recipient agencies notified when and where to pick up their aloted shares. While this eliminates the need for warehouses and intrastate distribution costs, it obviously has drawbacks. Shipping timetables can go wrong. School systems and other agencies have difficulty in scheduling vehicles for such irregular pick up.

In recent years, state distributing agencies have turned to new methods to improve efficency, while still operating on a shoestring. There is a trend to use commercial distributors to receive USDA donated foods for recipient agencies in the distributor's area. The distributor stores the foods until the school or other agencies request delivery. This is done on the same truck that delivers foods purchased by the school from that distributor, a savings in time, fuel, and resources. The distributor charges a modest amount for storage and delivery of the donated foods.

Regardless of what type of intrastate distribution system is used, and no matter how efficient or economical, some one has to pay the costs. The costs generally have fallen on the recipient agencies.

The current distribution of cheese and other dairy products to needy persons has drawn wide attention to the lack of distribution funds. Foodbanks, food pantries, soup kichens, and related operations have no means of paying the cost. State agencies have adapted as well as they could to help get the foods to where they were needed. We have worked with non-profit organizations, companies and individuals that have volunteered their services, other state bureaus, and recipient organizations. All of that effort still falls short. Money is needed to do the job right.

It makes sense to provide the funds so that the Food Distribution Program works as it should, and not leave any gaps that interfere with delivering the foods within the state.

There is no question among nearly all state distributing agencies that if such funds are made available, the distribution of foods to needy persons can be expanded to reach more people, and schools and other recipient agencies can make greater use of donated foods.

This will happen if S-17 mandates that sufficient federal funds be furnished so that recipient agencies are not charged for costs related to commodity distribution. In regard to S-17's actions to extend the role of processing contracts, we offer this comment; we consider the contribution of processing to be an essential part of the program to furnish donated foods to recipient agencies in suitable forms. Most state distributing agencies have been engaged in processing contracts for years. It was the National Association of State Agencies for Food Distribution that researched and produced the model contract that is widely used today.

That leads to a subject that is of great concern to the state distributing agencies. We want to concentrate on getting the donated foods to where they will be used, and not dilute our efforts in excessive paperwork. We recognize the need for federal regulations so that the foods will go only to those who are eligible and will be used as intended. We ask that guidelines be established with clear-cut criteria, without burdening the state staff with recordkeeping and monitoring that are beyond our means.

When S-17 was introduced, it was rightfully pointed out that it is better to pay the cost of distribution of donated foods than to pay the cost of indefinite storage of surplus farm products.

There is another point to consider in regard to the cost of th Food Distribution Program; it is one government program in which every dollar does the work of two. The same dollar that helps to strengthen the farm economy also helps to feed people and strengthen the operation of school lunch and the programs that benefit millions of Americans.

At the same time S-17 removes some of the major handicaps that effected the operation of the Food Distribution Program. Over the years, policy decisions have created uncertainty about the course of the program. For example, at the time of the first Soviet grain deal in the 1970's, some federal authorities envisioned fence-to-fence crops forever, an end to surpluses, and an end to the Food Distribution Program. We quickly learned these predictions were unwarranted, but the effects on the Food Distribution Program lingered.

S-17 does much to reaffirm that the concept of this program is sound, and it qives us the opportunity to make it work better for the farmer, the food recipients, and the taxpayers.

Thank you for the opportunity to present our comments.

STATEMENT OF MARSHALL MATZ, COUNSEL, AMERICAN SCHOOL FOOD SERVICE ASSOCIATION

Good morning Mr. Chairman, Members of the Committee, my name is Marshall Matz. I am an attorney with the law firm of Barnett & Alagia and I am appearing here this morning in my capacity as counsel to the American School Food Service Association.

The American School Food Service Association (the Association) is pleased to be able to express its strong support for S. 17 and urges its passage by the Congress. Federal commodity support is an important part of the federal effort to provide nutritious meals to the nation's children through the school lunch program and other child nutrition programs. The dairy products that schools currently receive as a bonus, without charge or credit, proved indispensable in holding down the costs of school lunches for millions of children in the face of drastic budget cuts.

As you know, Mr. Chairman, the child nutrition programs had their federal funding reduced by one-third, or approximately $1.5 billion, during the last Congress. As a result, some 3 million children were forced from the school lunch program. A third of these children, or approximately 1 million, had formerly received free or reduced price lunches. Were it not for the bonus commodity program, these statistics would have been even higher.

On January 12, 1983 the Association wrote to Secretary Block, after announcement of the Payment in Kind (PIK) Program, requesting that he add to the "bonus list" such surplus commodities as corn, rice, wheat and other commodities that are to be distributed through the PIK program. Our premise was that if the Department is going to use our agricultural surpluses for hog feed and chicken feed, and for free donations overseas, the commodities should also be shared with the nation's children

through the national school lunch program. On February 2, 1983, the Department rejected our request, stating that "present conditions do not permit favorable consideration".

The Association believes, therefore, that if the Congress wants the Secretary of Agriculture to share the nation's bounty with low income and unemployed persons, school children, and the elderly, S. 17 must be adopted. Section 2A of S. 17 provides an objective standard or trigger mechanism requiring the Secretary to release surpluses under clearly ascertainable conditions. The current subjective standard contained in the Agriculture and Food Act of 1981 has not been adequate.

Let me comment just briefly on the other provisions of S. 17 which the Association believes are important to a comprehensive program:

* If an effective bonus commodity program is to be established, it should provide sufficient federal administrative funds to enable the states to distribute the surplus commodities to the local level. Currently, many states charge local agencies, including schools, a "service charge" for the distribution of "free" commodities. These charges undermine both the agricultural and humanitarian purposes of the bonus program. Sec. 5 of S. 17 would remedy the problem by providing federal administrative money for the first time.

* As a corollary, states should be prohibited from charging schools for state administrative expenses. The proviso in section 5 to this effect is therefore extremely important to the Association.

* Lastly, the Association also urges the Committee and the Congress to adopt section 6 of S. 17 which requires the Secretary to establish a system under which all schools will have access to commodity processing, at their own expense, if they so choose. An identical provision was agreed to by the Committee last December as part of the PIK legislation.

In summary, Mr. Chairman, the American School Food Service Association would like to commend you and the co-sponsors of S. 17 for introducing what we believe to be an extremely important piece of legislation. S. 17 is a comprehensive and bold attempt to use the overwhelming agricultural resources of the United States to serve domestic eligible recipient agencies that are in need of our agricultural bounty. Bonus corn, rice, and wheat would greatly strengthen the national school lunch program and allow schools the ability to keep down the cost of the meals they serve to millions of children each day.

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*NOT ADMITTED IN THE DISTRICT OF COLUMBIA

March 1, 1983

The Honorable Jesse Helms
Chairman
Committee on Agriculture, Nutrition
and Forestry
Room 322 Russell Senate Office Building
Washington, D.C. 20510
Attn: Mr. George Dunlap

Re: S. 17

Dear Mr. Chairman:

I very much appreciate your letter of February 24, received today, and the opportunity to address the important questions you raise. As today is March 1st, and time may be of the essence, please allow me to respond to your concerns generally and to provide more complete answers for the record.

In preparing for my testimony I was informed by the National Association of State Agencies for Food Distribution that "Over 50% of state distributing agencies assess local agencies a charge for services of delivering donated foods". (Letter attached.) It is unclear to me what statute allows the states to make these charges since Section 1114(a) of the Agriculture and Food Act of 1981 provides that surplus commodities "shall be made available without charge", to schools and others.

In my opinion, the bonus commodity program is fundamentally different from the entitlement commodity program. The bonus program, by definition, only exists

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The Honorable Jesse Helms
March 1, 1983
Page Two

in years of surplus. It would be most difficult for a state to plan what will be in surplus two years down the road and for the state legislature to budget accordingly. The American School Food Service Association therefore supports the provisions of S. 17 that would provide federal funding for the distribution of all bonus commodities. Allowing states to charge schools for the USDA "free" commodities results in higher program costs, and less consumption of the surplus commodities. In addition, since such charges further reduce local funds available to operate the lunch program, it has had the effect of a hidden budget cut.

Mr. Chairman, some of the other questions you asked will require consultation with ASFSA's Legislative Policy Committee. Since the mark-up of S. 17 is scheduled for tomorrow, however, I have attempted to provide as much information as soon as possible.

With best personal regards, I am

Sincerely,

Marshall

Marshall L. Matz, Counsel
American School Food
Service Association

MLM:bb
Enclosure
cc: Senator Robert Dole
Senator Walter Huddleston

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NASAFD
Association of State Agencies for Food Distribution

Post Office Box 1163
Richmond, Virginia 23209
Telephone: (804) 786-3936

January 14, 1983

Mr. Marshall L. Matz
Barnett & Alagia
1000 Thomas Jefferson St., N.W.
Washington, D.C. 20007

Dear Marshall:

Reference is made to our recent telephone conversation regarding the Food Distribution Program. Established in the 1930's, the Program has effectively used every dollar spent to do the work of two dollars -- the same dollar helps the farm economy and also helps feed people.

Over the past decade, the Program has been under attack from numerous sources creating an environment of uncertainty. This environment created a "catch 22" situation in that administrators at the federal, state, and local level recognized the need for improvements, but long range plans were impossible to establish. A nationwide distribution program cannot be turned off and on like a light switch. Stability and continuity of the Food Distribution Program has a significant impact on how well it operates.

Current state delivery systems vary from recipient agency pick up from incoming carriers to the integration of donated and commercial food deliveries by distributors. Costs to recipient agencies vary from none to the full pass-through of all state administrative and delivery costs. Over 50% of state distributing agencies assess local agencies a charge for services of delivering donated foods.

Ideally, no charges should be assessed local agencies for delivery of donated food if sufficient funding were made available at the state level. Based on data collected from state agencies, I estimate $60 million would be needed nationwide to cover state costs of distributing donated food to the currently eligible outlets. This does not include extra funding that would be needed by the trust territories or the dairy product distribution to needy people that are unique in operation. General indications from states are that budgets are being slashed so that state distributing agencies will be extremely hard pressed to just maintain services. Along with adequate state funding, it is imperative that federal agencies be adequately funded to perform purchase and administrative functions.

Marshall, state agency personnel are being called upon to become more productive with less resources. They have arose to the occasion, but are fighting an uphill battle. Far too little credit and support has been given to these people. Should I be able to assist you in the future, please contact me.

Sincerely,

E. Lee Stambaugh
President, NASAFD

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May 10, 1983

Senator Jesse Helms
Chairman
Committee on Agriculture,
Nutrition and Forestry
United States Senate
Washington, D.C. 20510

Attention: Mr. Thomas Boney

Re: S. 17

Dear Mr. Chairman:

As a follow-up to my letter of March 1, in response to yours of February 24, I submit the following answers on behalf of the American School Food Service Association:

1. The Association has never had the occasion to compile a state-by-state listing of the service charges for the distribution of "bonus" commodities. We have been informed by the Association for State Commodity Distributing Agencies that over 50% of the states currently charge for the distribution of USDA entitlement and bonus commodities.

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2. We are unaware of what the basis is for these charges.

3. It is our understanding that the reason a commodity is declared "bonus" by the Secretary is to increase consumption thereof and reduce government-held surpluses. Allowing states to charge schools and other local recipients as much as they would like as a "service charge" lessens consumption of the commodity. The higher the cost of a commodity, under whatever label, the less schools will use the commodity.

4. No. If states are not reimbursed for the distribution of the commodities by either the recipient agency or by the federal government they will simply not have the necessary money to do the job.

5. The fact that some states are currently charging schools for the distribution of commodities does not make it the correct policy. If bonus commodities were received truly free by the recipient agency we feel it would increase both the humanitarian and agricultural purposes of the program.

6. Unfortunately we do not have an estimate of the cost. We are led to believe from the Association of State Commodity Distributing Agencies that $50 million would be adequate.

7. Yes, schools would use additional quantities of any commodity listed on the "bonus" list. They would use still more if the commodities were received without charge or credit.

8. We would, of course, oppose any further reduction in §4 funding. As you know, the child nutrition programs lost approximately $1.5 billion in federal funding during the 97th Congress; $1 billion of the $1.5 billion came as a reduction in federal assistance to the school feeding programs.

9. As a result of the Department's payment-in-kind program, the availability of surplus commodities has changed. It is my understanding, however, that significant quantities of rice are still owned by the CCC and available for distribution to schools and others.

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BARNETT & ALAGIA

Senator Jesse Helms
Attention: Mr. Thomas Boney
May 10, 1983
Page three

10. Yes, we support use of the International Wheat Reserve for domestic nutrition programs. The International Reserve has not been used since its creation in 1980. Given that fact, and in light of the magnitude of the recent child nutrition budget-cuts, we would support using the International Wheat Reserve, if it is coupled with an adequate replenishment provision.

11. No, we would have no objection.

12. We would favor the type of "hold harmless" provision agreed to by the House Committee on Agriculture in its mark-up of H. R. 1590.

Mr. Chairman, we very much appreciate the opportunity to respond to your questions and are hopeful that you will be able to support S. 17.

Best personal regards.

Sincerely,

Marshall L. Matz

Marshall L. Matz
Counsel, American School
Food Service Association

MLM:jb

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ATTENTION MS CHRISTINA M BOLTON

I REGRET THAT I AM UNABLE TO ACCEPT YOUR INVITATION TO TESTIFY TODAY ON THE DOMESTIC COMMODITY DISTRIBUTION AND FOOD ASSISTANCE ACT

WE WISH TO AFFIRM FROM YOU EXPERIENCE THE ASSESSMENT OF SENATOR DOLE REGARDING MANY PEOPLE IN OUR SOCIETY WHO SUFFER FROM HUNGER WE VIEW THIS PROPOSED ACT AS ONE PART OF A COMPREHENSIVE NUTRITION POLICY THE COMMODITY DISTRIBUTION PROGRAM ALONE CANNOT MEET ALL THE NUTRITIONAL NEEDS OF OUR PEOPLE WE URGE THEREFORE THAT THIS PROGRAM NOT BE CONSIDERED AS A SUBSTITUTE FOR PRESENT FOOD PROGRAMS BUT AS A SUPPLEMENTAL PROGRAM FUNDING LEVELS FOR OTHER FOOD PROGRAMS MUST BE MAINTAINED=PARTICULARLY FOOD STAMPS, CHILD NUTRITION AND SENIOR MEALS PROGRAMS

WE EXPRESS OUR STRONG SUPPORT FOR THIS PROPOSAL WHICH WILL MAKE THE COMMODITIES DISTRIBUTION PROGRAM MORE AMENDABLE TO THE PROVISION OF SURPLUS FOODS TO THE NEEDY HUNGRY THE PROVISION FOR ADMINISTRATIVE COSTS SO THAT THE COMMODITIES MAY BE TRANSPORTED AND PACKAGED IN QUANTITIES SUITABLE FOR INDIVIDUAL HOUSEHOLDS IS ESSENTIAL FOR THIS PROGRAM TO IMPACT THE POOR WE ALSO SUPPORT THE BROADENED DEFINITION OF BONUS COMMODITIES

WE URGE THAT THIS PROGRAM BE ADOPTED AS QUICKLY AS POSSIBLE AND IMPLEMENTED WITHOUT DELAY
BISHOP JOSEPH M SULLIVAN CATHOLIC CHARITIES, DIOCESE OF BROOKLYN
191 JORALEMON ST
BROOKLYN NY 11201

13:16 EST

MGMCOMP

TO REPLY BY MAILGRAM MESSAGE, SEE REVERSE SIDE FOR WESTERN UNION'S TOLL - FREE PHONE NUMBERS

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II

98TH CONGRESS
1ST SESSION

S. 17

To expand and improve the domestic commodity distribution program.

IN THE SENATE OF THE UNITED STATES

JANUARY 26 (legislative day, JANUARY 25), 1983

Mr. DOLE (for himself, Mr. DANFORTH, Mr. DOMENICI, Mr. HATFIELD, Mr. JEPSEN, Mr. MOYNIHAN, Mr. ANDREWS, Mr. DIXON, Mr. RIEGLE, and Mr. LEVIN) introduced the following bill; which was read twice and referred to the Committee on Agriculture, Nutrition, and Forestry

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A BILL

To expand and improve the domestic commodity distribution program.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. This Act may be cited as the "Domestic Commodity Distribution and Food Assistance Act".

SEC. 2. (a) In order to complement the domestic nutrition programs, make maximum use of our agricultural abundance, and to expand and improve the domestic distribution of surplus and price supported commodities under the authority of section 416 of the Agricultural Act of 1949 and section 32 of Public Law 74–320, whenever commodities are used to

make special payments in kind to producers, or are tendered at no cost to expand export markets, or are limited in production through a land diversion program, or acquired by the Commodity Credit Corporation in excess of international food aid commitments, such commodities shall be made available to recipient agencies without charge or credit in a form suitable for home or institutional use: *Provided*, That commodities made available to public and private nonprofit organizations that relieve situations of emergency and distress through the provisions of food to low-income and unemployed persons shall be made available in quantities suitable for individual households.

(b) The Commodity Credit Corporation shall pay for the cost of processing and packaging such commodities into forms suitable for home or institutional use with funds available to the Commodity Credit Corporation or through a payment in kind system which would provide commodities equal to the value of the processing cost.

(c) The Secretary shall publish before the beginning of each year an announcement of the commodities and the quantities of such commodities which he anticipates are likely to be made available without charge or credit during each of the next three years.

(d) Notwithstanding any other provision of law up to two million metric tons of wheat made available under sec-

tion 302(a) of the Food Security and Wheat Reserve Act of 1980 may be used for the purposes of this Act, provided that the reserve will be replenished by an equivalent quantity of wheat pursuant to the provisions of 302(b) of such Act.

SEC. 3. Eligible recipient agencies shall include, but not be limited to, public and private nonprofit organizations that relieve situations of emergency and distress through the provision of food to low-income and unemployed persons; charitable institutions; nutirition programs for the elderly; public or nonprofit schools and school food authorities; State agencies; child care insititutions; Federal, State and local nonprofit postsecondary schools; Federal, State and local penal institutions; Veterans Administration hospitals; disaster relief organizations; public or nonprofit summer camps; the Commodity Supplemental Feeding Program; the Summer Feeding Program; and the Needy Family Program on Indian reservations.

SEC. 4. (a) The Secretary shall provide the commodities made available pursuant to section 2 in such quantities as can be used without waste to State agencies for distribution to eligible recipient agencies and to private companies that process commodities for eligible recipient agencies pursuant to section 6.

(b) State agencies receiving agricultural commodities and administrative expenses under this Act shall distribute

such commodities in the quantities requested to eligible recipient agencies within their respective State: *Provided*, That if a State agency cannot fully meet all requests for a given commodity the State agency shall give special consideration to public or private nonprofit organizations that serve low income and unemployed persons.

(c) The Secretary may provide such commodities directly to eligible recipient agencies and shall do so when State distributing agencies are not permitted by law to make distribution to certain categories of recipient agencies.

(d) The Secretary shall ensure that any recordkeeping or other regulatory or paperwork requirements imposed by either Federal or State agencies on recipient agencies shall be kept to a minimum.

SEC. 5. The Secretary shall make payments to the States from funds available to the Commodity Credit Corporation, or from section 32 of Public Law 74–320 to pay expenses incurred by State agencies in the storage, distribution, and transportation of donated commodities. The payments shall not be less than an amount equal to 5 per centum of the value of all commodities, both entitlement and bonus, distributed during the preceding fiscal year: *Provided*, That no State shall charge recipients or eligible recipient agencies for costs related to commodity distribution: *Provided further*, That States shall pay the costs incurred by public and private nonprofit organizations that serve low income and unemployed persons in the storage, distribution, transportation and administration of commodities donated under this Act.

SEC. 6. The Secretary of Agriculture and State agencies shall encourage consumption of commodities made available without charge or credit through agreements with private companies under which such commodities are processed into end food products for use by eligible recipient agencies, with the expense of the processing to be borne by the recipient agencies: *Provided,* That each fiscal year the Secretary shall use funds equal to those storage and spoilage costs that the Secretary would have incurred in the preceding year other than for this Act to further process products into end food products for use by public and nonprofit agencies that relieve situations of emergency and distress through the provision of food to low income and unemployed persons.

SEC. 7. The Secretary shall obtain such assurance as he deems necessary that the eligible recipient agencies of commodities donated under this Act will not diminish their normal expenditures for food by reason of such donation. Donated foods shall be requested and distributed only in quantities which can be consumed without waste. Under no circumstances should the amount of food ordered by recipient agencies be in excess of anticipated usage based on inventory records and controls or beyond their ability to accept and store such food.

SEC. 8. Section 1114(d) of The Agriculture and Food Act of 1981 shall apply to any commodities distributed pursuant to this Act.

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

Staff Summary of Major Provisions of S. 17
Domestic Commodity Distribution and Food Assistance Act

S. 17 provides the following:

1. Requires that commodities subject to a land diversion program or used to make payments in kind to producers or for export expansion, or acquired by CCC in excess of international food aid commitments shall be made available free of charge to recipient agencies in a form suitable for home or institutional use.

2. Requires CCC to pay the costs of processing and packaging the commodities into forms suitable for home or institutional use.

3. Requires the Secretary of Agriculture to publish an announcement of the amount and kind of commodities which would be available for distribution under this program during each of the next 3 years.

4. Authorizes up to 2 million metric tons of wheat now in the Food Security Wheat Reserve to be distributed to recipient agencies, provided that the wheat so used is replaced from existing CCC wheat stocks or through purchases.

5. Defines eligible recipient agencies to include, but not be limited to, public and private nonprofit organizations that provide food to low-income and unemployed

persons, schools and school food authorities, nutrition programs for the elderly, charitable and penal institutions, State agencies, VA hospitals, child care institutions, summer camps, the Commodity Supplemental Feeding Program, the Summer Feeding Program, and the Needy Family Program on Indian reservations.

6. Requires the Secretary to provide the commodities in such quantities as can be used without waste.

7. Requires State agencies receiving commodities under the program to distribute them in the quantities requested to eligible recipient agencies within the State.

8. Authorizes the Secretary to provide such commodities directly to eligible recipient agencies and requires such distribution when State agencies are not permitted to do so.

9. Requires the Secretary to pay the expenses incurred by the State agencies in the storages, distribution, and transportation of donated commodities, with payments to be not less than 5 percent of the value of all commodities distributed during the preceeding fiscal year.

10. Requires States to pay the storage, distribution, transportation, and administration costs incident to the receipt of donated commodities by nonprofit organizations that serve low-income and unemployed persons.

11. Requires the Secretary and State agencies to encourage consumption of donated commodities through agreements with private companies for processing the commodities into end food products, and requires the Secretary, each fiscal year, to use funds to process commodities into end food products in an amount equal to the commodity storage and spoilage costs which the Secretary would have incurred in the preceeding year, but for this Act.

12. Requires the Secretary to obtain assurance from the eligible recipient agencies that they will not diminish their normal expenditures for food by reason of the donations under the bill, and provides that donated foods shall be requested and distributed only in quantities which can be consumed without waste.

13. Specifies that the provisions in the Food Stamp Act of 1977 generally prohibiting the distribution of federally donated foods to households located in jurisdictions where the food stamp progam is in operation shall not apply to this commodity distribution program.

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